

In Search of Explanations for Corporate Social Reporting

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Abstract

This study investigates motivations for Corporate Social Reporting (CSR). Considering that CSR remains a largely unregulated phenomenon, calls for normative and empirical research contributing to its theorisation are increasing. However, most frequently single theoretical interpretations are offered, which ignore the potential variety of explanations for the practice in diverse contexts. Concerns are also often expressed over the use of Content Analysis (CA) in CSR research. Although authors generally agree on the decisions with regard to sampling, they do not agree on the measurement units, and there is also a lack of studies reviewing issues pertaining to the context in CA.

Thus, this study aims to contribute to the CSR literature by (a) introducing a framework that synthesises the relationships between the theoretical explanations for the phenomenon, and (b) reviewing the use of CA in CSR research, with a focus on CA decisions regarding sampling, recording and context. In pursue of the theoretical objective (a), a number of frequently employed theoretical explanations are reviewed and amalgamated in a revisited legitimacy theory framework, which identified three prime potential drivers for CSR. These include an ethics-focus approach, where legitimacy is achieved by discharging accountability to all identified stakeholders, and two image-focus approaches, where organisations are either interested in maintaining their legitimacy by retaining a positive image, or in opportunistically extending their legitimacy and image.

To investigate the applicability of these suggestions, a case study design is adopted, whereby the reactions of five aviation organisations to major legitimacy threats in the form of air crashes are examined. The organisations considered are British Airways, Air France, American Airlines, Singapore Airlines and Scandinavian Airlines. Considering the methodological objective (b) of the study and the fact that the nature of the research, thus, requires measuring the levels of CSR, a mixed-method CA is employed, which (building on a systematic review of the literature) considers not only the variations in the

measured levels of CSR prior to, and following, the accidents, but also what is actually stated in the disclosures.

The study finds little support for the ethics-focus approach. The majority of the quantitative and qualitative evidence indicates instead that CSR is most often externally driven. Organisations appear to primarily engage with it to ensure they are seen as acting legitimately, in order to minimise existing and potential image threats and maintain profitability. The study, contrary to the literature, also finds that the recording units employed were not consistent in their findings and thus suggests that future studies should consider a variety of recording units. As regards the context, the organisations appear to adopt a ‘pecking order’ disclosure approach with regard to their reporting media, reporting their substantive positive CSR news via the AR to their most ‘critical stakeholders’, whilst disclosing their substantive negative CSR news in the more ‘ephemeral’ stand-alone reports, which potentially have smaller audience.

Dedication

In loving memory of my dear brother Andreas, grandmother Aspasia and grandfather Petros, who didn't live to see this journey completed.

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This has been a long journey and, as approaching its end, a million thanks need to be expressed.

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- for being a wonderful friend, in addition to an excellent supervisor.

Thank you.

Statement of original authorship

I certify that the work in this thesis has not been previously submitted for a degree nor has it been submitted as part of the requirements of a degree except as fully acknowledged within the text.

I also certify that the thesis has been entirely written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

Petros Vourvachis

Table of Contents

Abstract.....	ii
Dedication.....	iv
Acknowledgments.....	v
Statement of original authorship.....	vii
Table of contents.....	viii
List of figures.....	xv
List of tables.....	xvii
List of appendices.....	xx

PART I INTRODUCTION

Chapter 1 Introduction

1.1 Introduction.....	1
1.2 Background to the research.....	1
1.3 Rationale and aims of the study.....	4
1.4 The research approach.....	7
1.4.1 The theoretical approach.....	7
1.4.2 The aviation industry.....	9
1.4.3 The methodological approach.....	11
1.5 Organisation of the study.....	14
1.6 Summary.....	16

PART II LITERATURE REVIEW

Chapter 2 In search of explanations for Corporate Social Responsibility (CSRes)

2.1 Introduction.....	18
2.2 Background.....	18
2.3 The development of CSRes and its Reporting.....	20

2.3.1 The period up to 1990	20
2.3.2 The period from 1900 to 1950.....	23
2.3.3 The period from 1950 to 2009.....	27
2.4 The main CSRes positions.....	35
2.4.1 CSRes1: ‘Pristine Capitalism’	36
2.4.2 CSRes2: ‘Stakeholder Capitalism’	36
2.4.3 CSRes3: ‘Ethics Pragmatism’	37
2.4.4 CSRes4: ‘Ethics Opportunism’	38
2.5 Summary.....	39

Chapter 3 The theoretical explanations of Corporate Social Reporting (CSR)

3.1 Introduction.....	40
3.2 Social and Political theories frameworks.....	40
3.2.1 Social contract theory as rationale for CSR.....	41
3.2.2 Accountability theory as rationale for CSR.....	44
3.2.3 Stakeholder theory as rationale for CSR.....	46
3.2.4 Political economy of accounting theory as rationale for CSR.....	49
3.3 Extensions of legitimacy theory.....	53
3.3.1 Media agenda setting theory as rationale for CSR.....	53
3.3.2 Public pressure theory as rationale for CSR.....	54
3.3.3 Institutional theory as rationale for CSR.....	55
3.4 Decision usefulness and economic perspectives.....	57
3.4.1 Decision usefulness theory as rationale for CSR.....	58
3.4.2 Signalling theory as rationale for CSR.....	61
3.4.3 Positive accounting theory as rationale for CSR.....	63
3.4.4 Agency theory as rationale for CSR.....	64
3.5 Business ethics frameworks as rationale for CSR.....	66
3.6 Marketing theory as rationale for CSR.....	70
3.7 Other rationales for CSR.....	72
3.8 Summary.....	73

Chapter 4 Legitimacy Theory framework

4.1 Introduction.....	77
4.2 Background.....	77
4.3 The types of legitimacy.....	80
4.3.1 Profit –centred approaches: the ‘pristine capitalist’	89
4.3.2 Ethics – centred approaches: the ‘stakeholder capitalist’	91
4.3.3 Image – centred approaches: the ‘ethics pragmatist’	92
4.3.4 Image – centred approaches: the ‘ethics opportunist’	94
4.4 Organisational legitimacy management.....	96
4.4.1 Legitimation strategies.....	97
4.4.2 Substantive of symbolic CSR.....	101
4.4.3 Positive or negative CSR.....	103
4.4.4 Extending, maintaining or defending legitimacy.....	104
4.4.5 Investigating legitimacy threats.....	107
4.4.6 Summary.....	109
4.5 Propositions.....	112
4.6 Summary.....	114

PART III METHODOLOGY

Chapter 5 Research methodology and methods

5.1 Introduction.....	116
5.2 Background.....	117
5.3 Research paradigm.....	118
5.3.1 A review of the two main philosophical perspectives.....	119
5.3.2 The adopted paradigm: Laughlin’s ‘middle range thinking’	121
5.4 Research design.....	124
5.4.1 A review of the research designs used in CSR research.....	124
5.4.2 The adopted design: longitudinal multi-case study.....	127
5.5 Introducing Content Analysis (CA)	128

5.6 The systematic review of the CA literature.....	129
5.7 Quantity vs. quality in CA.....	133
5.8 Index vs. amount/volume approaches.....	136
5.9 Units of analysis.....	138
5.9.1 Sampling units.....	139
5.9.1.1 Deciding on the industry.....	141
5.9.1.2 Deciding on the cases to be examined.....	144
5.9.2 Context units.....	146
5.9.2.1 Positive vs. negative disclosure.....	152
5.9.2.2 Substantive vs. symbolic disclosure.....	153
5.9.3 Recording units.....	156
5.9.3.1 Words, sentences and proportion of pages.....	158
5.9.3.2 Page size approach.....	161
5.10 Thematic distinctions.....	165
5.10.1 ‘Quantising by Miles and Huberman (1994)	165
5.10.2 The variation of Bebbington and Gray (2000)	167
5.11 Summary.....	171

Chapter 6 The employment of the methods – reflections and findings

6.1 Introduction.....	173
6.2 Reflections on the research design.....	173
6.3 Reflections on the sampling units.....	174
6.4 Reflections on the recording units.....	177
6.5 Reflections on the context units.....	182
6.5.1 Considering reliability and validity.....	182
6.5.2 The theme of the disclosure.....	187
6.5.3 The positive/negative distinction.....	188
6.5.4 The substantive/symbolic distinction.....	190
6.5.5 The mandatory/voluntary distinction.....	195
6.5.6 The thematic analysis.....	197
6.6 Summary.....	199

PART IV FINDINGS AND DISCUSSION

Chapter 7 Findings

7.1 Introduction.....	203
7.2 The case of British Airways (BA).....	204
7.2.1 Introduction.....	204
7.2.2 The accident.....	204
7.2.3 The quantitative CA evidence.....	206
7.2.4 The qualitative CA evidence.....	213
7.2.5 Conclusion.....	220
7.3 The case of Air France (AF)	223
7.3.1 Introduction.....	223
7.3.2 The quantitative CA evidence.....	223
7.3.3 The qualitative CA evidence.....	233
7.3.4 Conclusion.....	241
7.4 The case of American Airlines (AA)	243
7.4.1 Introduction.....	243
7.4.2 The incidents.....	243
7.4.3 The quantitative CA evidence.....	246
7.4.4 The qualitative CA evidence.....	253
7.4.5 Conclusion.....	258
7.5 The case of Singapore Airlines (SIA)	261
7.5.1 Introduction.....	261
7.5.2 The accident.....	261
7.5.3 The quantitative CA evidence.....	263
7.5.4 The qualitative CA evidence.....	270
7.5.5 Conclusion.....	273
7.6 The case of Scandinavian Airlines (SAS)	276
7.6.1 Introduction.....	276
7.6.2 The accident.....	276

7.6.3 The quantitative CA evidence.....	278
7.6.4 The qualitative CA evidence.....	286
7.6.5 Conclusion.....	293
7.7 Summary.....	295
 Chapter 8 Cross case analysis, discussion and implications of findings	
8.1 Introduction.....	296
8.2 The findings per proposition.....	296
8.2.1 Propositions 1 and 2.....	297
8.2.2 Propositions 3 and 4.....	305
8.2.3 Propositions 5 and 6.....	307
8.3 The findings per research question.....	309
8.3.1 Research question 1.....	310
8.3.1.1 Stakeholder capitalism.....	311
8.3.1.2 Ethics pragmatism.....	313
8.3.1.3 Ethics opportunism.....	317
8.3.2 Research question 2.....	319
8.3.3 Research question 3.....	322
8.3.4 Research question 4.....	324
8.4 Implications of the findings.....	325
8.4.1 Implications for the framework.....	325
8.4.2 Implications for CSR practice.....	331
8.5 Summary.....	334
 PART V CONCLUSIONS	
Chapter 9 Conclusions.....	337
9.1 Introduction.....	337
9.2 The research questions and approach revisited.....	337
9.3 Findings.....	342
9.3.1 Methodological findings.....	342
9.3.2 Theoretical findings.....	344
9.4 Contributions.....	346

9.5 Limitations.....	350
9.6 Suggestions for further research.....	352
9.7 Summary.....	353
Bibliography.....	354
Appendices.....	412

List of figures

Figure

1.1	The case study method as reflected in the structure of the thesis.....	15
3.1	A spectrum of ethicality.....	69
4.1	Types of legitimacy.....	84
4.2	CSR, reputation and legitimacy.....	86
5.1	Extract from SAS	145
5.2	The coding spreadsheet of the study.....	149
5.3	An illustration of the employment of a page size grid.....	164
6.1	Extract from SAS.....	191
7.1	Total voluntary CSD per measurement unit (BA).....	206
7.2	H&S voluntary CSD per measurement unit (BA).....	207
7.3	Source of voluntary CSD (BA).....	208
7.4	Theme of voluntary CSD (BA).....	210
7.5	Positive vs. negative CSD (BA).....	211
7.6	Substantive vs. symbolic CSD (BA).....	212
7.7	Total CSD per measurement unit (AF).....	225
7.8	H&S CSD per measurement unit (AF).....	226
7.9	Source of CSD (AF).....	228
7.10	Theme of CSD (AF).....	229
7.11	Positive vs. negative CSD (AF).....	231
7.12	Substantive vs. symbolic CSD (AF).....	232
7.13	Total CSD per measurement unit (AA).....	246
7.14	H&S CSD per measurement unit (AA).....	247
7.15	Source of CSD (AA).....	249
7.16	Theme of CSD (AA).....	250
7.17	Positive vs. negative CSD (AA).....	251
7.18	Substantive vs. symbolic CSD (AA).....	252
7.19	Total CSD per measurement unit (SIA).....	264
7.20	H&S CSD per measurement unit (SIA).....	265

7.21	Theme of CSD (SIA).....	266
7.22	Positive vs. negative CSD (SIA).....	267
7.23	Substantive vs. symbolic CSD (SIA).....	269
7.24	Total CSD per measurement unit (SAS).....	279
7.25	H&S CSD per measurement unit (SAS).....	280
7.26	Source of CSD (SAS).....	281
7.27	Theme of CSD (SAS).....	282
7.28	Positive vs. negative CSD (SAS).....	284
7.29	Substantive vs. symbolic CSD (SAS).....	285
7.30	Extract from SAS.....	286
7.31	Extract from SAS.....	289
8.1	The reactive vs. proactive and ethical vs. strategic dimensions.....	323
9.1	Types of legitimacy.....	339

List of tables

Table

3.1	Dimensions of social contract theory.....	43
3.2	Dimensions of accountability theory.....	45
3.3	Dimensions of stakeholder theory.....	49
3.4	Dimensions of political economy of accounting theory.....	53
3.5	Dimensions of MAST.....	54
3.6	Dimensions of public pressure theory.....	55
3.7	Dimensions of institutional theory.....	57
3.8	Dimensions of decision usefulness theory.....	61
3.9	Dimensions of signalling theory.....	63
3.10	Dimensions of PA.....	64
3.11	Dimensions of agency theory.....	66
3.12	Dimensions of business ethics theory.....	69
3.13	Dimensions of marketing theory.....	72
3.14	Dimensions of other rationales for CSR.....	73
3.15	Dimensions of the CSR theoretical perspectives.....	74
4.1	The compatibility of the extant theoretical motivations in the literature with the OL framework.....	88
4.2	Possible response/ tactics to legitimacy threats.....	100
4.3	Key differences in legitimization as function of the purpose of legitimation.....	105
4.4	Organisational approaches with regard to CSR and legitimacy sought.....	111
5.1	Positivist and interpretivist paradigms: key features.....	120
5.2	Pragmatism: key features.....	122
5.3	The reviewed CSR papers approaches to recording units.....	132
5.4	A framework for CA.....	135
5.5	The CSR categorical CA distinctions.....	151
5.6	Recording units' consideration of an array of issues of concern.....	157

6.1	Source of CSD (in pages) in proportions.....	176
6.2	The narrative vs. pictorial distinction per reporting medium.....	179
6.3	Pearson correlation and the recording units.....	180
6.4	Pearson correlation and the narrative vs. pictorial distinction.....	181
6.5	Agreement on the direction of change in total CSD among the three recording units.....	181
6.6	Types of reliability in CA.....	183
6.7	Summary of the reliability tests.....	185
6.8	The theme of CSD per reporting medium.....	187
6.9	The positive vs. negative distinction per reporting medium.....	189
6.10	The substantive vs. symbolic distinction per reporting medium.....	193
6.11	Pearson correlation and the substantive/symbolic distinction vs. the positive/negative distinctions.....	195
6.12	BA mandatory vs. voluntary CSD: proportions of total CSD.....	196
6.13	BA mandatory vs. voluntary CSD: proportion of year-to-year change.....	196
7.1	Summary of the ‘pattern-matching’ activity for BA.....	214
7.2	A summary of the quantitative findings (BA): year-to-year change.....	221
7.3	BA and the research questions.....	222
7.4	AF stand-alone reporting in the period 1999-2003.....	224
7.5	Summary of the ‘pattern-matching’ activity for AF.....	235
7.6	AF changing the emphasis.....	240
7.7	Summary of the quantitative findings (AF): year-to-year change.....	241
7.8	AF and the research questions.....	242
7.9	Summary of the ‘pattern-matching’ activity for AA.....	254
7.10	Summary of the quantitative findings (AA).....	259
7.11	AA and the research questions.....	260
7.12	Summary of the ‘pattern-matching’ activity for SIA.....	271
7.13	Summary of the quantitative findings (SIA): year-to-year change.....	274
7.14	SIA and the research questions.....	275
7.15	Summary of the ‘pattern-matching’ activity for SAS.....	287
7.16	Summary of the quantitative findings (SAS): year-to-year change.....	293

7.17	SAS and the research questions.....	294
8.1	Agreement on the direction of change in total CSD among the three recording units.....	299
8.2	Agreement on the direction of change in H&S CSD among the three recording units.....	300
8.3	Summary of the ‘pattern-matching’ activity for stakeholder capitalism.....	311
8.4	Summary of the ‘patter-matching’ activity for ethics pragmatism.....	314
8.5	Summary of the ‘pattern-matching’ activity for ethics opportunism.....	318
8.6	Summary of the findings.....	326

List of Appendices

Appendix

A	The analytic hierarchy.....	413
B	The categories and decision rules for CA.....	414
	B(i) The checklist for code 5: consumers.....	421
C	Classification of positive and negative CSD.....	423
D	Classification of substantive and symbolic CSD.....	426
	D(i) The substantive and symbolic strategies employed in the Savage <i>et al</i> (2000 study).....	426
	D(ii) The substantive and symbolic strategies employed in this study.....	428
	D(iii) The substantive and symbolic strategies employed in this study: some examples.....	429
E	CSR required by legislation and professional guidance in the UK.....	432
F	CA recording information.....	434
G	CA coding sheet.....	436
H	Reliability (stability and reproducibility) tests.....	440
	H(i) Stability.....	440
	H(ii) Reproducibility (inter-coder reliability).....	442
I	Thematic analysis: an example from SAS.....	449
J	Findings.....	454
	J(i) BA.....	454
	J(ii) AF.....	459
	J(iii) AA.....	464
	J(iv) SIA.....	469
	J(v) SAS.....	473

PART I INTRODUCTION

Ithaca.

*As you set out for Ithaca
pray your road is a long one.
Full of adventure, full of discovery.
Laistrygonians, Cyclops,
angry Poseidon - don't be afraid of them:
you'll never find things like that on your way
as long as you keep your thoughts raised high,
as long as a rare excitement
stirs your spirit and your body.*

*Laistrygonians, Cyclops,
wild Poseidon - you won't encounter them
unless you bring them along inside your soul,
unless your soul sets them up in front of you*

...

Chapter 1

Introduction

1.1 Introduction

The last twenty years have seen a dramatic growth in the number of companies engaging with Corporate Social Reporting (CSR) and in the amount of information being reported. Since CSR remains a largely unregulated phenomenon, CSR research frequently focuses on identifying the possible motivations behind managers' decisions to take such action. However, most frequently single theoretical interpretations are offered, and to date there seems to be a lack of agreed theoretical perspectives to drive systematic research. Concerns are also often expressed over the use of Content Analysis (CA) in CSR research. Although authors generally agree on the decisions with regard to sampling, they do not agree on the measurement units, and there is also a lack of studies reviewing issues pertaining to the context in CA.

Thus, this study investigates motivations for CSR and will contribute to the relevant literature by (a) introducing a framework that synthesises the relationships between the theoretical explanations for the phenomenon, and (b) reviewing the use of CA in CSR research, with a focus on CA decisions regarding sampling, recording and context. Section 1.2 provides a background to the research. The following section presents the rationale and aims of the research. The next section, on the research approach, is more substantial as it outlines the theoretical and methodological approach of the study and provides a rationale for the selection of the aviation industry. The penultimate section provides a guide to the structure of the thesis followed by a summary of the chapter.

1.2 Background to the research

Corporations, nowadays, operating in capitalistic economic systems, appear to be constantly increasing their power. A frequently quoted statistic, for example, is that

the annual turnover of General Motors exceeds that of the GNP of the forty poorest nations in the world. Such organisations indisputably have consistently been a source of economic benefit to the local communities they are operating in (Gray *et al.*, 1996). However, as O'Dwyer (1999) notes, in an unpublished PhD thesis,

in many instances, the sheer scale of these economic benefits and the accompanying dependence on them by many communities/nations has meant that much of their decision making has been left free from any control or influence by governments and workers (p. 4).

It, indeed, seems that capitalism generates many negative externalities, “that make its justification as a desirable form of economic system a contentious subject” (Jones, 1996, p. 7). Examples of how the increased freedoms of large corporations often appear to be a restraint on all the other participants in the wider society seem to abound (Unerman *et al.*, 2007a): mistreatment of workers; minors working 12-hour days; intensive lobbying of governments to weaken workers’ rights; interference in the decisions of government and employment discrimination (Reich, 1998; O'Dwyer, 1999). Particularly capitalism’s environmental externalities (e.g. catastrophic oil spills, destruction of habitats and the ozone layer, acid rain) negatively affect individuals, communities, nations and whole species of life (Gray *et al.*, 1996) and, “will almost inevitably have a future impact on the shape of society, the ecosphere and the economy” (Unerman *et al.*, 2007a, p.1). Thus, it appears that, according to the logic of modern capitalist organisations:

These organizations do not exist to solve society’s problems, or to provide enriching jobs for their members... or to satisfy customer needs. Employees are a resource to be utilized, a means to an end; society provides critical resources... for survival and growth, as well as a site for externalizing the costs of production; customers’ needs are to be met (as well as created) not as an end in itself, but as a means to secure profits (Jones, 1996, p. 15).

However, the behaviour of corporations has never been more under the spotlight (McIntosh *et al.*, 2003). Although this was not considered to be a new issue even in the 1960s (Drucker, 1969), or 1950s (Heald, 1957), public awareness of the environmental, social and economic impacts of business has increased at a dramatic rate over recent decades. A different role seems to now increasingly be perceived for organisations. A role “not only limited to the traditional pursuit of profits, innovation

and economic growth (within limits)..., but also encompassing the acceptance of (albeit not clearly specified) *duties* of responsibility to the wider society *regardless of their economic consequences*” (O’Dwyer, 1999, p. 6, emphasis in original).

Such a condition, though, implies that organisations would provide their identified constituents, with some means to control and guide organisational activity in order to prevent adverse social impacts; such means would primarily involve the communication of an account of action – accountability – to enable stakeholders to monitor the social and environmental impacts (O’Dwyer *et al.*, 2005a,b). Accounting, as “a set of socially conditioned practices which have various significant impacts on the operation of our society” (Bebbington, 2004, p.16), is thus called upon to assist in demonstrating the accountability and integrity of business actions. To this end, CSR has been developed. The CSR definition offered by Gray *et al.* (1987, p. ix), as:

the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders

seems to be favoured by many in the relevant literature. In essence, therefore, CSR involves reporting Corporate Social Responsibility (CSRes, hereafter) to societal interest groups (Woodward *et al.*, 2001). As CSR is in principle, “at the heart of an examination of the role of information in organization-society dialogue” (Gray *et al.*, 1995a, p. 48), it can contribute to, “the normative position of a more justly organised and better informed democracy” (Gray *et al.*, 1996, p. 42)¹, since such reporting leads either to improvement or to criticism as regards the corporate behaviour (Moody-Stuart, 2006). There is, indeed, some encouraging evidence that CSR has been increasing across time, both in the number of disclosing companies and in the

¹ As Gray *et al.* (1996) further note, “Seeking to change accounting seems an appropriate act for accountants. While accounting may not be the best place to start when seeking to change society it is clearly an important element for any significant change and, as accountants define and reify accounting, it seems reasonable to assume that accountants are an appropriate group to explore such a change” (p.64).

amount of information being reported (see, e.g. KPMG, 2005, 2008) that could be, arguably, interpreted as indicative of a global corporate movement towards better informed democracies.

It appears to be the case, however, that this is not the sole, or even the main, corporate motivation for CSR, and that just because a company appears to be responsive, this does not necessarily imply that it is responsible (Deegan, 2002). Indeed, there is mounting empirical evidence that companies engage with CSR for a number of other than accountability reasons (see chapter 3 for a detailed account of these). However, there is a need for the alternative corporate motivations behind the organisational voluntary engagement with CSR to be identified, and for these relationships to be clarified and then synthesised in frameworks if CSR is to develop in a systematic way and not be, “captured and trivialised by powerful organisations” (Gray *et al.*, 1997, p. 326). As the following section indicates, there is a lack of such agreed frameworks to drive systematic CSR research.

1.3 Rationale and aims of the study

In every research field there is a need for some clear and widely acceptable theoretical frameworks to be established; a need for some postulates/axioms, on which an argument of scientific discussion can be based and by which systematic research can be driven. These are essential to the development of any intellectual discipline; can be a basis for inference, a foundation for erection of any theoretical structure, and susceptible to challenge in the light of later advancement of knowledge (Mautz and Sharaf, 1997). The reasoning for generally acceptable propositions in any discipline can be traced back to Aristotle, around twenty-four centuries ago, when he stressed that “every demonstrative science must start from indemonstrable principles, otherwise, the steps of demonstration would be endless” (Mautz and Sharaf., 1997, p. 43).

The development of such clear frameworks to drive systematic research appears to have been achieved in areas adjacent to CSR. In Corporate Finance, for example, it is generally agreed that regarding the capital structure choice, there is a trade-off

between the tax benefits of debt and the increased default expenses (Modigliani and Miller, 1958, 1963; see also, e.g. Myers, 1984; Bayless and Diltz, 1994; Brounen, 2001), and research now focuses on building on this theory and developing some complementary explanations, e.g. Pecking Order Theory (e.g. Myers and Majluf, 1984; Krasker, 1986; Narayanan, 1987); Agency Theory (e.g. Fama and Miller, 1972; Jensen and Meckling, 1976; Stulz, 1990) and Signalling Theory (e.g. Leland and Pyle, 1977; Ross, 1977; Masulis, 1983). Some consensus seems also to have been reached in fields such as Economics and Organisational Behaviour. With regard to CSR, though, as Gray *et al.* (1995a) note:

there is little about CSR which is not contestable – and contested. CSR, at its broadest may embrace: both self-reporting by organisations and reporting about organisations by third parties; information in the annual report and any other form of communication; both public domain and private information; information in any medium...It is not restricted necessarily by reference to selected information recipients; and the information deemed to be CSR may, ultimately, embrace any subject (p. 47).

While interest in CSR has waxed and waned as researchers have entered and left the field (Gray *et al.*, 1995a), CSR has continually attracted doubts about its legitimacy as an area of accounting research enquiry (Deegan, 2002). Since both CSRes and CSR are largely unregulated, they are neither practised systematically nor able to claim, “either universal recognition or universal definition” (Gray *et al.*, 1995a, p. 47). The lack of CSR regulation indeed seems to be one of the major obstacles for the CSR literature to overcome to possess coherence (see, e.g. Gray *et al.*, 1995a; Gray *et al.*, 1996; Adams *et al.*, 1998; O’Dwyer, 1999; Deegan, 2000; Clikeman, 2004; Deegan, 2004; Turner *et al.*, 2006, for supporting accounts).

Given that, apart from some minor exceptions (see, e.g. Deegan, 2000, 2004; KPMG, 2005), managers are not required by law to disclose CSR information, CSR research frequently focuses on identifying the possible motivations behind managers’ decisions to take such action. The majority of the literature, however, reviews single explanations for CSR; a small number of studies comprehensively review three or more theoretical explanations (most notably Mathews, 1993; Gray *et al.*, 1995a; Gray *et al.*, 1996; Buhr, 1998; Campbell, 2000; Cooper, 2004; Deegan and Unerman, 2006; Unerman *et al.*, 2007b); and an even smaller number provide frameworks

modelling the relationships of the theories (e.g. Gray *et al.*, 1996; Laughlin, 1990; Woodward *et al.*, 2001; Roberts and Chen, 2006; Spence and Gray, 2007), in spite of the frequent calls for “a plurality of approaches and a multiplicity of lens through which to observe, explain and predict CSR reporting practice” (Bebbington *et al.*, 2008b, pp. 372-373).

Thus, it appears that, “explaining CSR reporting is a long way from ‘normal science’” (Bebbington *et al.*, 2008b, p. 373) and to date there seems to be a lack of agreed theoretical perspectives to drive systematic research (Trotman and Bradley, 1981; Ullmann, 1985; Gray *et al.*, 1995a; O’Dwyer, 1999; Tilt, 2003; Parker, 2005), leading Parker (2005) to note that the academic pursuit for the development of such a framework, seems to resemble that for the Holy Grail. As Spence and Gray (2007) stress:

If we do know little about why organisations report, we actually know relatively little about why some do report while many do not. Equally of concern... is why so very few organisations report either completely or reliably (p. 11).

The lack of agreed theoretical perspectives and definitions has also, not surprisingly, undermined the way authors investigate CSR, and particularly their use of CA, the most frequently employed method in CSR studies (Milne and Adler, 1999) . Hence (as explained in more detail in chapter 5), although authors generally agree on the decisions with regard to sampling, they do not agree on the measurement units, and there is also a lack of studies reviewing issues pertaining to the context in CA. It is, nevertheless, important for these methodological issues to be addressed, in order to achieve improvements in the extensiveness, quality, quantity and comprehensiveness of the CSR research, and ultimately CSR itself (Adams, 2002).

In response to the existence of these apparent theoretical and methodological vacuums, the main aims of this study are (a) to investigate motivations for CSR, and introduce a framework to model the relationships and synthesise most of the theoretical explanations for CSR; and (b) to review the use of CA in CSR research, with a focus on CA decisions regarding sampling, recording and context. Given that, as the next section explains, the study investigates motivations by particularly

examining corporate disclosure reactions to legitimacy threats, the overarching research questions can be expressed as:

- How do organisations respond to a threat to their legitimacy?
- Which are the most suitable context and recording units in CA?

The research approach employed to investigate these questions is explained in the next section and in greater depth in the main body of the thesis.

1.4 The research approach

This section outlines the research approach of the study. Firstly, the theoretical approach is discussed, explaining the purpose of the subsidiary research questions and how the framework of the study was generated. Then a rationale for the choice of the aviation industry is provided. Lastly, the methodological approach is reviewed, considering the research design, data collection and analysis choices.

1.4.1 The theoretical approach

The theoretical approach of the study is reflected in the three chapters (chapters 2 to 4) dedicated to the literature review. A number of preliminary literature reviews were conducted and have informed the discussion in these chapters. In the first attempt, the CSR literature was classified by country; in the second by potential contributing factor (i.e. size, industry); and in the third by motivational theory. It was at this stage that chapter 3 was written and the subsidiary research questions, pertaining to the theoretical aims of the study, emerged. These include:

- What are the object companies' positions towards CSRes?
- Is CSR a strategically or ethically motivated activity?

- Is CSR a product of a reactive or proactive corporate stance?
- Can CSR be explained on the basis of a contractual relationship between organisations and society?

The original aim of these subsidiary research questions was to review and compare the most frequently cited explanatory theories of CSR practice, in order to identify similarities and differences with regard to these theoretical propositions. However, when at a later stage it was decided to employ Legitimacy Theory (LT) as the main framework of the study, the questions also served as contributing ‘dimensions’ to it and were consequently employed, “as a template with which to compare the empirical results of the case study” (Yin, 1989, p. 54). Thus, as suggested in the literature (Tashakori and Teddlie, 1998; Ritchie and Lewis, 2003; Weber, 2004), the research questions have provided direction for designing all phases of the research project.

The first two emergent subsidiary questions concerned whether CSR is a strategically or ethically motivated activity and if it is reactive or proactive. With regard to the first question, as briefly discussed in section 1.2, CSR may be seen as a mechanism for discharging accountability, contributing to “the normative position of a more justly organised and better informed democracy” (Gray *et al.*, 1996, p. 42); however, CSR may also be employed “in a strategic manner to manage an organisation’s relations with the community in which it operates” (Deegan, 2000, p. 264). This question thus assists in originally identifying whether the considered theoretical explanations and collected empirical evidence signifies a *moral* or *other than moral* CSR orientation. It appears that a number of studies in the CSR literature have also considered the second question, regarding whether CSR is an internally or externally driven activity (see, e.g. Frederick, 1994; L’ Etant, 1994; Lindblom, 1993; Zain, 1999; O’Dwyer, 1999; Woodward and Woodward, 2001; Woodward *et al.*, 2001; O’Donovan, 2002a).

It was also quickly realised that, considering that CSR is often perceived as a manifestation of corporate social responsibility (Gray *et al.*, 1996; O’Dwyer, 1999), “CSR[es] and CSR reporting cannot be understood in isolation of each other”

(Adams, 2008, p.365). Thus, in order to understand motivations for CSR practice (and non-practice) it should be firstly sought to understand motivations behind CSRes. To this end, a literature review focusing on the development of CSRes was conducted, reflected in chapter 2, and four distinct corporate positions regarding CSRes were identified.

Finally, the preliminary literature reviews also indicated that LT, the most frequently employed framework in explanatory CSR research, and its basic tenet, social contract theory, could be consistent with most of the reviewed arguments. These frameworks argue that CSR can be explained on the basis of a contractual relationship between organisations and society. Hence, it was decided to employ LT as the main theoretical framework of the study and develop a research question to check the compatibility of the reviewed theoretical explanations to the employed LT framework.

The LT framework of the study is comprehensively discussed in chapter 4. As that chapter reveals, the corporate positions regarding CSRes identified in chapter 2 have also served as the foundation for the four related variants of the LT framework there identified. Chapter 4 also discusses how organisations manage their legitimacy and how this framework is most frequently assessed, by examining reactions to legitimacy threats. For the purposes of this research, corporate disclosure reactions to some major legitimacy threats in the form of aviation accidents are investigated and a number of related propositions are drawn (detailed in section 4.5), largely predicting that the organisations will increase their levels of CSR following the accident. The following section provides a rationale for the selection of the aviation industry.

1.4.2 The aviation industry

As discussed in more detail in section 5.9.1.1, the aviation industry was selected, because of its wide customer base and public visibility (Woodward *et al.*, 2008). The industry is often criticised for being one of the greatest environmental polluters. As Extract 1.1 however illustrates, Health and Safety (H&S) concerns over the industry are also frequently brought to the fore. The recent miraculous landing of Flight 1549

in the Hudson River in New York revealed that the pay cuts in this highly competitive industry have resulted in driving more experienced pilots away from the cockpit, jeopardising the H&S of employees, customers and public.

Most frequently, H&S concerns over the aviation industry arise following airline crashes. These generate a large amount of negative news coverage for the object organisations since, all of a sudden, hundreds of people are losing their lives. Consequently, they have great negative impacts on the organisations' overall reputations (Zyglidopoulos, 2001) and some smaller companies are even forced to go bankrupt or to change their brand name (see, e.g. Helios Airways aviation accident in Greece, 2005). It was thus expected that the aviation accidents regarding the examined companies would constitute a major legitimacy threat for their operations.

WASHINGTON – The air traffic controller who handled Flight 1549 thought ditching in the Hudson River amounted to a death sentence for all aboard. Now the veteran pilot who pulled off the feat safely says harsh pay cuts are driving experienced pilots from the cockpit... Sullenberger, a 58-year-old who joined a US Airways predecessor in 1980, and his copilot, Jeffrey B. Skiles, told the panel that experienced pilots are quitting because of deep cuts in their pay and benefits. Skiles said unless federal laws are revised to improve labor-management relations "experienced crews in the cockpit will be a thing of the past." Sullenberger added that without experienced pilots "we will see negative consequences to the flying public."

Extract 1.1 Aviation industry and relationship with employees
(Source: Lowy and Sniffen, 2009)

1.4.3 The methodological approach

In this study, a mixture of qualitative and quantitative methods is employed to investigate motivations for CSR. This approach is based on the belief that there is no one best way to do research: “there is more than one methodology, more than one truth and more than one set of background assumptions: and thus more than one accounting reality” (Laughlin *et al.* 1986, p. 20).

In this study, Laughlin’s (1995) ‘middle range’ philosophical arguments have been adopted. Laughlin accepts that, although the social world does not exist independently of individual subjective understandings, there are still likely to be some broad generalisations which can be made in many (but not necessarily all) situations. These broad generalisations will however usually be ‘skeletal’ and will normally require empirical detail to make them applicable to specific situations (Unerman, 2000b). Thus, this approach does not discount the inescapable, “perspective bias in models of understanding” (Laughlin, 1995, p. 81) and (similarly to e.g. Weber, 2004) considers all methods, qualitative and quantitative, to be useful, subject to the specific research questions of the study.

The espousal of the Laughlin’s ‘middle range’ philosophical stance has allowed for a mixed method study to be adopted, in which qualitative and quantitative approaches are combined across all phases of the research process: from conceptualisation to data analysis and inference (Tashakkori and Teddlie, 1998). Thus, the study’s methods involve a longitudinal adaptation of Yin’s (2009) multi-case study, explanatory research design, with Annual and stand-alone Reports as data, and both quantitative and qualitative CA as data analysis methods.

The issues pertaining to methodology are discussed in chapters 5 and 6. The main focus of both the chapters is on quantitative CA, considering the methodological aims of the study and the fact that the nature of the research and its propositions requires measuring the levels of CSR. Chapter 5 provides an *ex ante* view to conducting the data collection and analysis and a detailed justification of these techniques. To inform the CA decisions, a quasi-systematic review of the CSR literature was conducted, focusing on the sampling (including data collection),

context and recording units. The chapter also discusses the qualitative approach to CA, involving a number of Yin's (2009) recommended analysis techniques (i.e. pattern matching, explanation building, time series, and cross-case analyses). Chapter 6, written from an '*ex post*' to the analysis angle', provides a reflective account of the data collection and analysis process, and discusses the empirical methodological findings in respect of the research aims pertaining to the use of CA in CSR research.

As discussed in section 5.9.1.2, following the relevant literature, it was decided to investigate overall five large company cases and for each company to check the Annual and stand-alone reports two years prior to, the year of, and two years after the accident, in order to capture the accident effect on the level of disclosure. The considered organisations are British Airways, Air France, American Airlines, Singapore Airlines and Scandinavian Airlines and were selected due to their large size and also the availability of their data. All the collected evidence relates to the period 1999-2003. These were quite turbulent times for the whole world and particularly the aviation industry, primarily due to the September 11th 2001 terrorist attacks, and the subsequent US invasion of Iraq. As the discussion in chapters 7 and 8 reveals, these events have been perceived as potential threats pertaining to the legitimacy of the whole industry and have been taken into consideration when interpreting the results.

It could be argued that the combination of qualitative and quantitative techniques in the research design implies that the research draws some limitations from both worlds: the adoption of an overall case study design limits the study's generalisability; the quantitative analysis of the surveyed Annual and stand-alone report information also harms the study's prominent qualitative character and can possibly result in some loss of context; and, on the other hand, the employment of qualitative data and use of qualitative analysis techniques, increases the potential subjectivities and weakens the study's reliability².

² For the purposes of this study, the reliability and validity definitions of Ritchie and Lewis (2003) have been adopted. 'Reliability' is generally understood to concern the replicability of research findings and whether or not they would be repeated if another study, using the same or similar methods, was undertaken. The 'validity' of findings or data is traditionally understood to refer to the 'correctness' or 'precision' of a research finding. It generally refers to the approximate truth of propositions, inferences, or conclusions (Ritchie and Lewis, 2003).

However, the benefits to credibility of this approach outnumber its limitations. The generalisability of the findings is implicit in the multi-case study method, where replication logic is used (Savage *et al.*, 2000) and, “the goal is to do a ‘generalising’ and not a ‘particularising’” research (Yin, 1994, p. 10): the aim is to generalise a particular set of results to some broader theory instead of a larger universe. The reliability of the findings is strengthened by the use of relevant tests, and frequently employed qualitative analysis techniques and frameworks, with specific procedural approaches to data collection and analysis (see, e.g. Huberman and Miles, 1994; Gray *et al.*, 1995b; Yin, 2009). Yet, it is the validity of the findings which appears to be considerably strengthened, through the variety of the systematic approaches to the analysis (qualitative and quantitative), the longitudinal time-span of the research, and the triangulation of the findings, which allow for an in-depth study of the cases and, as a consequence, for a comprehensive explanation of the ‘causal links’ in the investigated phenomena to be generated (Yin, 2009).

It should always be remembered, though, when explanatory CSR research is conducted, that CSR is a complex phenomenon, “which it is difficult to find explanations for” (Campbell, 2000, p. 81). As Bebbington (2004) notes, “there are a multitude of theoretical lenses which may be used to understand, explain and evaluate the [CSR] practices” (p.18). Further, “there could be several motivations simultaneously driving organisations to report social and environmental information” (Deegan, 2002, p. 291). Across all stages of this explanatory CSR research, therefore, from reviewing the existing empirical evidence and developing the theoretical framework and propositions, to collecting and analysing the evidence and making inferences,

different theoretical perspectives... [are not] seen as competitors for explanation but as sources of interpretation of different factors... and enrich, rather than compete for, our understandings of corporate social disclosure practices (Gray *et al.*, 1995a, p.67).

1.5 Organisation of the study

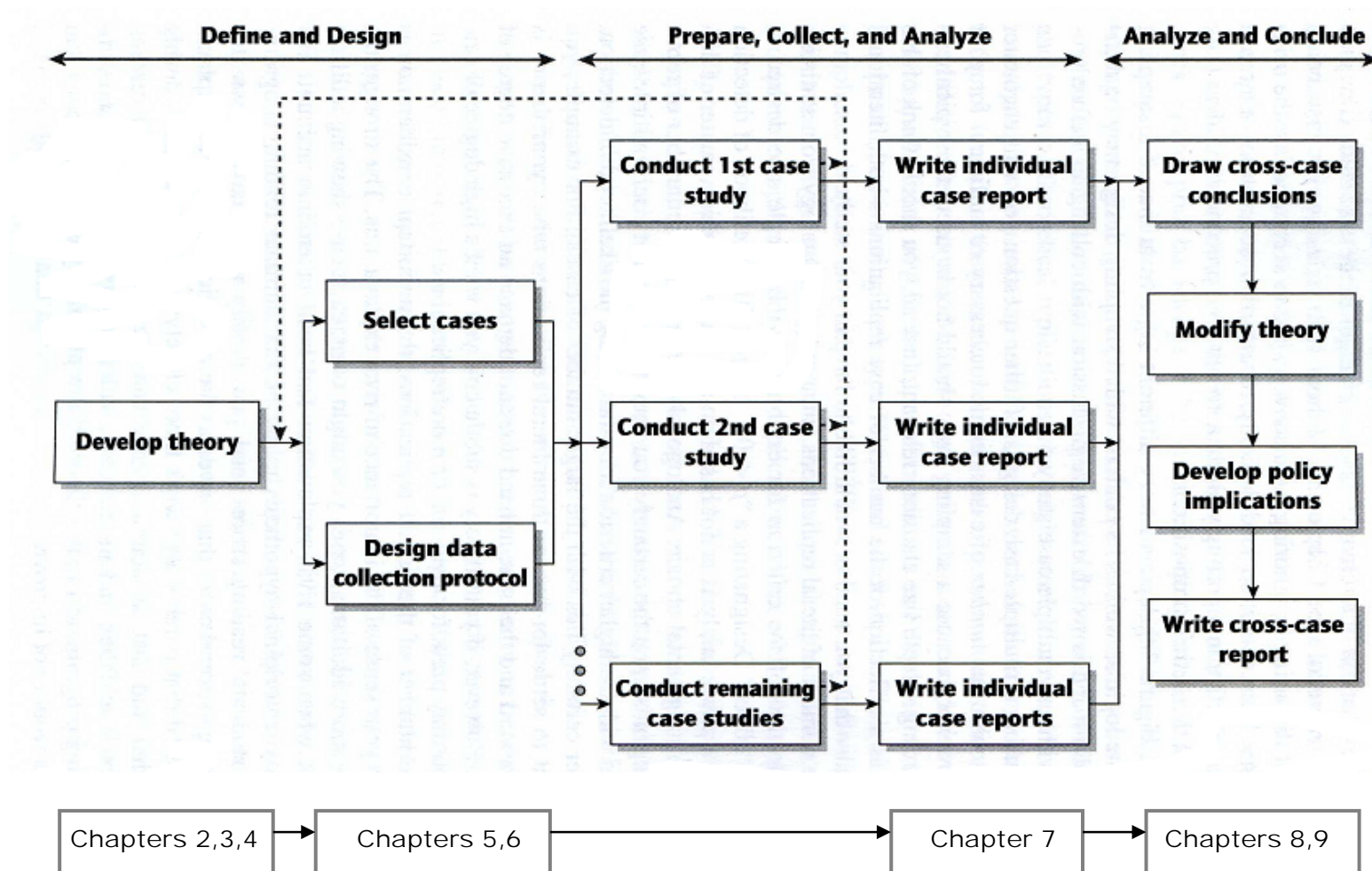
The organisation of the study largely reflects Yin's (2009) case study approach, as Figure 1.1 illustrates. It is organised in nine chapters and the remaining ones are as follows.

Chapter 2 is the first of three literature review chapters; it focuses on the development of CSRes, identifies distinct organisational 'positions' that are based upon the motivations for CSRes behaviour, and illustrates how the motivations for CSRes may underpin the ones for CSR.

Chapter 3 reviews the most important theoretical explanations for CSR in the literature and directly relates them to CSRes positions identified in the preceding chapter and the other three research questions of the study. This will assist in clarifying their relationships and will provide the basis of the theoretical framework of the study (in which the research questions serve as 'dimensions') presented in the next chapter.

Chapter 4 introduces the theoretical framework of the study. A detailed justification of the framework and its relationship with the theories examined in chapter 3 is provided. Four types of organisational stances towards CSR are identified (based on the identified in chapter 2 corporate positions towards CSRes) and their expected variations in CSR actions are considered. Chapter 4 also discusses how organisations manage their legitimacy and how this framework is most frequently assessed, by examining reactions to legitimacy threats. Based on the discussion, the propositions of the study are then presented.

Figure 1.1 The case study method (Yin, 2009, p.57) as reflected in the structure of the thesis



Chapter 5 is the first of two chapters dedicated to methodology. Written before conducting the data collection and analysis, it outlines the philosophical views and research design and more comprehensively discusses the CA approach adapted, with reference to both qualitative and quantitative techniques. By employing a quasi-systematic review of the CSR literature, the decisions on the sampling (including data collection), context and recording units of the CA are clarified. Additionally, the classification schemes and qualitative analysis approach used is discussed.

Chapter 6 provides a reflective account of the data collection and analysis processes. Written after conducting the data collection and analysis (with a particular emphasis on CA), it reviews these two processes, provides some reflections on, and findings from, the use of these methods, and identifies potential implications to the findings.

Chapter 7 presents the findings of the study for the five case studies. Each case study includes a brief introduction to the company and the legitimacy threat (accident), followed by sub-sections on the quantitative and qualitative evidence of the analysis and a concluding section summarising the evidence.

Chapter 8 discusses the cross-case findings of the study in respect of the propositions, research questions and developed framework by relating them to the extant literature. Each contributing theory to the framework is reviewed for supporting, or contradicting, evidence and alternative explanations are considered. The implications of the findings are further discussed.

Chapter 9 concludes the study. Firstly, a summary of the research is provided. The findings are presented in view of the research questions and the theoretical and methodological contributions of the study are detailed. A number of validity, reliability and generalisability limitations are also summarised and suggestions for further research are made.

1.6 Summary

This chapter has laid the foundations for the study. It firstly provided a background by outlining the importance of undertaking research on motivations for CSR. Then the gaps in the literature in respect of the latter and the aims of the study were presented – the latter being, (a) to investigate motivations for CSR, and introduce a framework to model the relationships and synthesise most of the theoretical explanations for CSR; and (b) to review the use of CA in CSR research, with a focus on CA decisions regarding sampling, recording and context. The subsidiary research questions were also previewed. The research approach was then discussed, outlining the theoretical and methodological approach of the study and providing a rationale for the selection of the aviation industry. Finally, a guide to the structure of the thesis was provided.

The following three chapters present the literature review of this study, with the next one to investigate the explanations for CSRes, by looking at the driving forces behind its development.

PART II LITERATURE REVIEW

*...Pray your road is a long one.
May there be many summer mornings when,
with what pleasure, what joy,
you enter harbours you're seeing
for the first time;
may you stop at Phoenician trading stations
to buy fine things,
mother of pearl and coral, amber and ebony,
sensual perfume of every kind -
as many sensual perfumes as you can;
and may you visit many Egyptian cities
to learn and go on learning from their scholars
...*

Chapter 2

In Search of Explanations for Corporate Social Responsibility

2.1 Introduction

The overarching aim of this chapter is to ascertain if it is possible to identify distinct organisational ‘positions’ that are based upon the motivations for Corporate Social Responsibility (CSRes) behaviour. Understanding motivations for CSRes will assist in understanding motivations for CSR (presented in the next chapter), and in developing a framework to model the relationships and synthesise most of the theoretical explanations for CSR (presented in chapter 4).

To this end, following some background information, a review of the development of CSRes is provided, with a focus on identifying the driving forces behind the development of the phenomenon over time. This is divided into three sections: the years before the 1900s; from 1900 to 1950; and from then onwards. In the last section describing CSRes development, a brief review of the development of CSR is simultaneously provided¹, aiming to highlight the milestone events in its progress over the years, and further illustrate how the explanations for CSRes may underpin those for CSR. The penultimate section of the chapter discusses the identified CSRes positions from the review of the literature, whilst the final section provides a summary of the chapter.

2.2 Background

CSRes can be expressed as the voluntary assumption of responsibilities that go beyond the purely economic and legal responsibilities of business entities (McGuire, 1963; Manne and Wallich, 1972). The exercise of social responsibility, in this view,

¹ It should be noted that this review is not exhaustive, given that a number of focused studies efficiently provide comprehensive reviews of the phenomenon (see e.g. Gray *et al.*, 1996; Matthews, 1997; O’Dwyer, 1999; Gray, 2002; Parker, 2005; Owen, 2008) and thus any detailed attempt at discussion would largely result in replicating these works.

must allow for companies to earn a satisfactory level of profit; but it also implies a willingness to forego a certain measure of profit in order to achieve CSRes ends (Boatright, 2003).

A number of attempts to define the CSRes area, nevertheless, provide ‘procedural’ explications of the term (e.g. Carroll, 1979; Hargreaves and Dauman, 1975; Carroll, 1991) in that more than one level of responsibilities is identified. Hargreaves and Dauman (1975) identify three distinguishable levels of CSRes: the first covers “basic responsibilities”, referring to technical and routine obligations, such as paying taxes; whilst the second level, “organisational responsibilities” are intended to secure the well-being and needs of those under the aegis of the company, whether employees, suppliers or shareholders. When a company adopts “societal responsibilities” (the third level in the classification) it becomes involved in the wider community by assisting the creation of a “healthy overall environment” (Hargreaves and Dauman, 1975, p. 19). What distinguishes societal responsibilities from the other categories is that it covers a wider constituency, emphasising the welfare and prosperity of society (Marinetto, 1998).

It appears that the concept of CSRes is still a contested one, with many facets (Esrock and Leichty, 1998). As Votaw (1973) states:

The term [social responsibility] is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of “responsible for”, in a causal mode; they may simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for “legitimacy”, in the context of “belonging” or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large (p.11),

and as Gray *et al.* (1995a) argue, CSRes’ “failure to theorise explicitly the organization-society relationship leaves it both flaccid and immanent” (p. 48). The notion of CSRes thus sparks lively debate, involving fundamental questions about the nature of the corporation and its role in society (Mullin, 1996) and, as discussed in section 1.3, it seems that the debate over CSRes is also inherited in its reporting,

since “there is little about CSR which is not contestable – and contested” (Gray *et al.*, 1995a, p.47). Considering that these phenomena cannot be understood in isolation of each other (Adams, 2008), the next section presents the development of CSRes (and in the later stages, also of CSR), with a focus on identifying the key drivers behind its development over the time.

2.3 The development of CSRes and its Reporting

It appears that the concept of CSRes has evolved gradually; thus, the full significance of corporate responsibility can only be appreciated in its historical context (Sheikh, 1996). Eberstadt (1973), for example, traces its historical evolution into the classical period and argues that when the corporate responsibility is seen in its historical context, it can be understood that, “the free enterprise system as we know it” (p.77) is the exception, and not the rule, of Western economies. From ancient Greek times until the Industrial Revolution, western society imposed strict controls on business. It could be argued that the expressed in the last decades “corporate responsibility movement is an attempt to restore a 2,000-year-old Western tradition” (Eberstadt, 1973, p. 76).

Three main stages in the development of CSRes are identified: the years before 1900s; from 1900 to 1950; and from then onwards. Given the general lack of studies investigating the development of the phenomena prior to the 1960s/1970s, the reviews of the first two stages draw heavily on the works of Eberstandt (1973) and Heald (1957) respectively (these were the only identified studies during the initial literature search to be reviewing the development of CSRes before the 1950s). In the last stage, a brief review of the development of CSR which emerged at the time is also provided, to illustrate how the explanations for CSRes may underpin those for CSR.

2.3.1 The period up to 1900

The CSRes phenomenon appears to be rooted in the classical period (ancient Greece, 4th and 5th centuries BC). During those years, the businessman’s position in Greece

was “only slightly higher than the slave’s” (Eberstadt, 1973, p. 77). In the ancient Greek system of values, character development was imperative and the emphasis was on community spirit. Business was thought to promote base emotions and profit-making activities were strongly disapproved of. Consequently, community pressure compelled entrepreneurs to pursue social activities (Sheikh, 1996). As Eberstadt (1973) has elaborated:

Aristotle wrote: ‘in the best governed community... the citizen may not lead either the life of craftsmen or traders, for such life is devoid of nobility and hostile to the perfection of character’. Plato recommended the prohibition of money-lending and money-making because of their tendency to set the professional’s interests in opposition to the community’s... Business was expected to be of social service to the community. Ostracism was not an unthinkable punishment for immoral business practices, and corporal punishment was frequently the penalty for fraud (p. 77).

Businesses, therefore, in those years appear to have been both externally and internally driven towards CSRes. It seems that social pressure, rather than threat of punishment, directed the businessman, and respect for nature seems to have influenced the industries’ environmental practices. However, businesses were further expected to be internally motivated towards CSRes, due to, for example, the owners’ intrinsic value systems and ethical/communal sensitivities. Nevertheless, and as opposed to being strictly profit-oriented, “there is no doubt in the Greek citizen’s mind that business existed to serve the public... The Greeks were particularly offended by the suggestion that material gains from business were to be used merely as the owner wished, without regard for the interests of the community” (Eberstadt, 1973, pp. 77-78).

In the medieval period (400-1500), the businessman and the business system were still distrusted, largely due to the negative *ex officio* perception held of them by the Catholic Church, which had an international structure and a monopoly on education at the time. The latter considered the profit motive anti-Christian and maintained that if business had to exist, it should be used in the public interest and, as St. Thomas Aquinas wrote, “for a definite purpose, namely, the good estate of the household (community)” (cited in Eberstadt (1973, p. 78, brackets in original). The businessman was thus expected to be, above all, honest and to care for his fellow

guild-members and for the well-being of his community (by e.g. supporting sick members, helping to educate the poor, encouraging local artists and engaging with other types of charity work). However, the businessman at this stage also started enjoying a high standard of living primarily by “exploiting outsiders” (p. 78), which was clearly *not* in accord with their social responsibility activities, thereby indicated a non-ethical motivation towards CSRes.

The antithesis of focusing on profits by exploiting others whilst also engaging with social responsibility, was augmented in the subsequent, mercantile, period (1500-1800). As the Church atrophied, the emerging nation states realised their national strength depended on their commercial and industrial production. Business leaders started joining the nobility and the business class was granted influence in national affairs. The social obligations of business also increased with the businessman’s status, and businesses which provided outstanding public service were given special privileges. A number of companies were established solely to employ the poor in impoverished communities and underdeveloped industries. The boost in industrial activity during those years, however, was based on the exploitation of foreigners; and “although more than three million blacks were enslaved and shipped to the New World, not even the most moral were aroused” (Eberstadt, 1973, p.79).

In the early industrial period (19th century), the giant corporations came to dominate their economies. By the end of the century, the two hundred largest US manufacturing corporations added more to GNP than the next hundred thousand largest. Some corporations virtually had the power of governments, and “this enormous concentrated power gravitated into the hands of a few, raising up a corporate ruling class with almost unlimited authority” (Eberstadt, 1973, p. 80). In the name of deregulation and laissez-faire economy, any legally or socially established responsibilities of the business were aborted, and while corporate profits and the cost of living soared, wages actually declined, further lowering the quality of the average worker’s life. By the end of the century the latter were paid so poorly that it was impossible for many to provide for their families; industrial accidents occurred with appalling frequency; and “housing was so squalid that rats sometimes ate children alive” (Eberstadt, 1973, p. 80). Although it is to this period that the

earliest examples of CSR can be traced², it was in the next century that the CSRes phenomenon re-emerged and CSR started to be systematically practised.

2.3.2 The period from 1900 to 1950

At the dawn of the twentieth century, CSRes was minimal. Ghent (1902, cited in Heald, 1957) as early as 1902, however, noted an increase in “conspicuous giving... always shrewdly disposed with an eye to the allayment of pain and the quieting of discontent” (Heald, 1957, p. 376). This took the form of contributions by wealthy businessmen (who were following Andrew Carnegie’s precepts) to hospitals, colleges, libraries, the construction and maintenance of model industrial communities, and similar philanthropies. Such gifts, Ghent attributed to a number of causes; outstanding among them was a fear of the growing power of the labour movement and a desire to forestall public criticism and regulation of business in the age of progressive reforms. Further, Ghent identified, as growing hand in hand with the power of the industrial magnates, a greater self-consciousness of authority and responsibility. He anticipated that this paternalistic, “seigniorial” attitude would ultimately be restrained by, “a sense of the latent strength of democracy” and “a growing sense of ethics”. He conceded that, “the principle of the ‘trusteeship of great wealth’ has won a number of adherents... A duty to society has been apprehended, and these are its first fruits. It is a duty, true enough, which is but dimly seen and imperfectly fulfilled” (Ghent, 1902, cited in Heald, 1957, p. 376).

The pre-First World War years in the US saw an increase in interest and attention on the part of management towards safety and sanitary conditions in its factories, and payments for accidents, retirement and death. Such policies were the direct result of labour, public and political pressures; but they at least implied an obligation on the part of management for the health and welfare of those most directly affected by its operations. Utility companies such as Bell Systems, started realising the need for public relations. As the Bell management stated in its 1913 Annual Report (AR):

² Flesher and Flesher (1981), examined the financial statements of large industrial firms operating in the Deep South prior to, and during, the Civil War. They retrieved the 1865 financial statements of Andrew Brown Lumber Company from the national archives and found that the company reported on the amount spent on food, shelter, clothing, health and general welfare of its slaves.

“We feel our obligation to the general public as strongly as to our investing public, or to our own personal interests” (cited in Heald, 1957, p. 378). As Heald (1957) noted, “their efforts to win social approval through wider publicity, like those of other managements, were undoubtedly directed more toward public persuasion than toward self-examination. Nevertheless, a new sensitivity to community opinion had begun to take form” (p. 378).

It seems that two major conditions had contributed to the early introduction of the CSRes concept in the pre-First World War period in the US. Firstly, was “the emergence of an economic order based increasingly upon large-scale enterprises, with interests which affected an ever-widening circle of citizens. Secondly, popular reaction to this change and the resulting activities of state and national governments led business leaders to see their ultimate dependence upon a favourable social climate and the need for more than economic performance alone in order to maintain the climate” (Heald, 1957, p. 379). The advent of the First World War also imposed demands for massive social assistance programmes, resulting in substantial business contributions of leadership and funds by engaging with organised welfare activities. Post-war conditions seemed to bring a decline, but not an end to the acceptance of these new responsibilities (Williams and Croxton, 1930).

Further social and economic changes pointed in the direction of new social relationships for management. These included the wider distribution of stock ownership and the accompanying increase in management’s independence from stockholder control. The dependence of mass production on the creation and maintenance of a mass market, as demonstrated by Henry Ford was sufficiently evident to spark a boom in management’s interest in advertising and public relations. This resulted in ‘service’ becoming the motto of business in the twenties (Heald, 1957). It was in this period that the roots of what was later to be named as ‘stakeholder theory,’ can be traced. As Rockefeller argued in 1928, “the parties to industry are four in number; capital, management, labor, and the community” (Heald, 1957, p. 380), and he seemed prepared to see all four represented in the councils of business. At the same time, Judge Gary of US Steel saw business as an institution in which each of the ‘parties’ had a stake and an interest, further arguing that the management class stood in a ‘position of balance’ between the other claimants, and

must reserve to itself the final determination of their interests; this is a remarkably contemporary argument, considering the recent advances in corporate governance (see, e.g. how Woodward *et al.* (2004, p. 8) have adapted the Triple Bottom Line reporting model to include governance “as [a] kind of ‘umbrella’ that holds the other three dimensions [economic, social and environmental] in place”).

However, in this period also the fundamental variations in the perception of CSRes amongst renowned individual businessmen, emphasising service to community, also started to become evident. Whereas for Rockefeller (1928, pp. 11-21) the purpose of industry was “quite as much the advancement of social well-being as the production of wealth” (cited in Heald, 1957, p. 380), for Henry Ford, ‘service before profit’ primarily meant the increase of production and productivity; this was what he considered to be the greatest contribution business could make to national welfare, which in turn, he claimed, “removes the need for philanthropy” (Heald, 1957, p. 381).

Indeed, as Heald (1957) notes, “in the twenties... most businessmen probably thought of public relations in terms of convincing consumers of the merit of their products and citizens of the correctness of their economic views and practices” (p. 382). It thus seems that CSRes had started in these years to be opportunistically driven. As Peter Drucker, a well-respected establishment figure in the field of management (Gray *et al.*, 1996), 50 years later notes, for that period the satisfaction of social needs and wants, such as “the development of the modern electrical industry, the telephone, the big-city newspaper and... the urban transit... were not satisfied because they were seen as ‘burdens’, that is, as ‘responsibilities’. They were satisfied because they were seen as opportunities. To seek opportunity, in other words, is the ethics of organization... [that] act more responsibly when they convert public need into their own achievements. Social awareness is organizational self-interest” (Drucker, 1969, pp. 254-255).

However, it seemed that the depression of the 1930s convinced many Americans that the prescriptions for business responsibility “had been largely intended for public consumption and ‘not to be taken internally’” (Heald, 1957, p.382). Dissatisfaction and disillusionment with business performance reached new levels of bitterness. This

resulted in stronger and deep-rooted criticism of business performance to be established. As a consequence, following the Depression, the corporation was once more seen, “as an institution which, like the government, has social obligations to fulfil” (Eberstandt, 1973, p. 81).

It seems that these increased external pressures drove businesses in this era to also start reporting on their social responsibilities. Maltby (2005) reports some episodes of Annual General Meetings (AGMs) of UK corporations, which at the time were reported in detail in the local and national press, discussing government controls, the altered basis of taxation on profits, the relationship between employers and labour, and the negative public perception of business behaviour – particularly regarding profiteering during the war years. Companies made frequent reference to the relationship between employers and workers, most often stressing the excellent attitude of the latter. This evidence led Maltby to conclude that CSR is “not the product of a new ethos, but rather a continuing response to social and political challenges (Maltby, 2005, p. 154). Hogner (1982) and Guthrie and Parker (1989) also found that the published reports of US Steel and BHP in that period included such information as dwellings build for workers, community development, worker safety, mortgage assistance for employees and other employee and community issues (Buhr, 2007).

It seems, therefore, that there were two main categories of cause that contributed to the development of CSRes in the first half of the 20th century. A primary role was played by causes associated with industrial growth, such as the further development of gigantic corporations, the application of mass production and the dependence of the markets on a widening consumer base, which led to widespread stock ownership and a redefinition of the role of management (Heald, 1957). Additionally, the traditional values of individualism, as well as idealism and a spirit of service growing out of wartime experience and the increasing power of labour and other stakeholder groups, were also of great importance. And although it is difficult to weigh the relative magnitude of these influences, as Heald (1957) concludes, “the record suggests that, in the past, external criticism...of the social consequences of business policies has made a vital contribution to management’s acceptance of a larger

concept of obligation to the community” (p. 383). External criticism also influenced the development of CSRes in the following period as the next section illustrates.

2.3.3 The period from 1950 to 2009

The modern era of CSRes is generally perceived to have begun in the 1950s. It has been argued that the publication by Bowen (1953) of his landmark book, *Social Responsibilities of the Businessman*³, marked the beginnings of the modern period of literature on this subject and Carroll (1999) has subsequently called him the ‘father of Corporate Social Responsibility’. In 1957, “the emergence of a ‘corporate conscience’, a recognition on the part of management of an obligation to the society it serves not only for maximum economic performance but for humane and constructive social policies as well” was also noted (Heald, 1957, p. 375).

It is nevertheless in the 1960s that CSRes started growing substantially (Gerde and Wokutch, 1998). The widespread social movements and social unrest at the time are generally perceived to have been behind the significant growth of the phenomenon in that decade (Gerde and Wokutch, 1998). As Drucker (1969) notes at the time, “the great new fact is that a society of organizations holds institutions and their executives not only accountable for quantities...It holds its institutions collectively accountable for the quality of life” (Drucker, 1969. p. 256).

It appears, however, that the substantial growth in CSRes also generated a considerable debate over its purpose. Some arguments suggesting that CSRes could also be opportunistically driven started to emerge: Drucker (1969) noted that, “it is an ethical demand of business to convert into profitable business the satisfaction of social needs and wants” (p. 253); whilst Davis (1960) pointed out the positive effects that socially responsible business decisions can have on the business entities’ image and subsequent long-term economic gains. These arguments are inherently similar to the ones also expressed in this era by Friedman (1962), who altogether opposed the

³ Note that, as the title suggests, there apparently were still no businesswomen during the period, or at least they were not acknowledged in formal writings (Carroll, 1999).

CSRes phenomenon on the grounds that the corporations' only responsibility is to generate profits for their owners.

Meanwhile, other developments were afoot, with probably "the most important (for the planet and society if not for business and accounting)... [being] the emerging environmental movement which laid the groundwork for the environmental revival of the late 1980s" (Gray *et al.*, 1996, p. 92). And it was in the late 1960s that, following this increased public awareness that augmented CSRes, the whole area of accounting standards and regulation also became a matter of debate, and for the first time accounting was seen both as part of, and a potential source for solving, the associated with CSRes problems (Gray *et al.*, 1996). This resulted in e.g. the Companies Act 1967 introducing the requirement for disclosure of charitable and political donations, along with requirements for disclosure of directors' emoluments and average number of employees.

The CSRes phenomenon was further developed and expanded in the 1970s (Gerde and Wokutch, 1998), which were dominated by issues of corporate obligation (Smith, 1993). It was then widely acknowledged, "that the social contract between business and society was changing in substantial and important ways", and that business was, "asked to assume broader responsibilities to society than ever before and to serve a wider range of human values" (Carroll, 1999, p. 274). In a public opinion survey conducted in the US at the time, it was found that two-thirds of respondents believed business had a moral obligation to help other major institutions to achieve social progress, even at the expense of profitability; whilst social movements with respect to the environment, worker safety, consumers and employees, "were poised to transition from special interest status to government regulation" (Carroll, 1999, p.275). A more action-oriented approach on behalf of the organisations was required to address the social pressures and the term 'corporate social responsiveness' was initiated in the CSRes literature (Frederick, 1994) to denote the emphasis on the management of a company's relations with society, in a pragmatic, results oriented way, more managerial in tone and intention (O'Dwyer, 1999).

The aforementioned changes in the social expectations which contributed to the expansion of CSRes, seem to have also initiated the development of CSR at the time. The 1970s are generally regarded as the period when CSR, “research first became established as a substantial discipline in its own right” (Owen, 2008, p. 243). CSR appears to have first come,

as a natural consequence of the debate then raging concerning the role of the corporation in society at a time of rising societal expectations and emerging environmental awareness. More perceptive managements, particularly those of prominent corporations in environmentally or socially sensitive sectors, speedily grasped the public relations benefits in producing, at least rudimentary, social reports which attempted to convey a picture of corporate responsiveness to key societal concerns (Owen, 2004, p. 24).

International pressure also played an important role in the development of CSR and the UN proposals on International Standards of Accounting and Reporting in 1977, for example, highlighted the need to extend the scope of required disclosure beyond pure financial reporting (Zain, 1999), which favoured the publication of separate reports.

It was in that period that the case for a wider view of accountability was put forward by The Corporate Report (TCR), published in 1975 (Accounting Standards Steering Committee, 1975). TCR identified various user groups in society, ranging from the equity investment group through to government and the public, and thus played an important part in expanding the involvement of the accounting function in the accountability of organisations to different groups in society (Quirke, 1996). As Perks (p. 36) points out, it was the first time that public accountability was seen “as being in addition to legal obligations and [the Report] argued that it arises from the custodial role played in the community by economic entities”. Although this was still far from considering CSR as being, “at the heart of an examination of the role of information in organization–society dialogue” (Gray *et al.*, 1995a, p. 48, see also Parker, 2005), as Gray (2002) notes, TCR remains “the most radical re-statement, from the accounting profession, of how organisational disclosure needed to be enhanced by social and environmental accounting” (p.690).

Although in the US in the 1970s the dominant CSR themes were the environment and energy (mainly due to the renewed ‘energy crisis’ which arose from the Middle Eastern conflicts and the West’s dependence on oil), in Western Europe the focus of reporting was on social information, and particularly employee-related disclosure. In the UK, attention was mainly paid to community issues, which in the late 1970s and 1980s shifted to employee-related disclosure (Zain, 1999). During the 1970s the value added statement also emerged and the period could generally be described as “the zenith of both interest in, and practice of, employee and employment reporting” (Gray, 2002, p.691).

The 1980s and the 1990s were characterised by a greater maturity of the CSRes field (Gerde and Wokutch, 1998). A conceptual transition in business and society ‘scholarship’ regarding CSRes was then identified from the action-oriented managerial concept of corporate responsiveness (the capacity of a corporation to respond to social pressure) to the one of corporate social rectitude. The latter entails that, “corporations should refer their policies and plans to a culture of ethics that embraced the most fundamental moral principles of humankind” (O’Dwyer, 1999, p. 52). Following this transition, a considerable emphasis has been placed in the literature on the notion of business ethics, as Gerde and Wokutch (1998) and O’Dwyer (1999) identify.

It does, indeed, seem that the ‘ethics’ notion holds a prominent place in arguments for CSRes since then. Carroll (1979) considers the ethical responsibilities of corporations to be, “additional behaviors and activities that are not necessarily codified into law but nevertheless are expected of business by society’s members” (p. 500). These responsibilities, according to Evans (1991), “should not be reduced to a conservative role, namely maintaining order and constraining the disorder that results from criminal acts and legalised anti-social behaviour, but they should form the basis of a radical reordering of society itself” (p. 871), thereby suggesting a ‘total ethics’ objective, similar to the one of ‘total quality management’ in operations management. This business ethics theory, nevertheless, is not only well integrated in the CSRes literature, but also into that of CSR, and it could even be seen at times that CSR is additionally referred to as corporate social and ethical reporting (see e.g. Adams and Kuasirikun, 2000; Adams, 2002, McIntosh *et al.*, 2003).

This 1980s' CSRes shift to corporate social rectitude and to ethics, was also reflected in CSR. In that decade, in Western Europe ethical issues such as community affairs, equal opportunity and socially beneficial products, came to feature on the agenda, due to the development of ethical investment trusts, together with the widening role of Non-Governmental Organisations (NGOs) (Gray *et al.*, 1996); however, by the end of the 1970s social reporting was fading out and until the late 1980s and early 1990s environmental reporting predominated (Buhr, 2007), despite the fact that in the UK, disclosure on employment-related issues remained popular. In contrast, at the same time in the US, whilst environmental issues were still widely reported, community and human resource issues seemed to be the main CSR focus, largely due to the considerable increase in unemployment.

The main reason for the environmental reporting focus, particularly in Europe in the late 1980s, appears to be that environmental concerns that had long remained dormant quite suddenly came to the forefront of public opinion. Concerns over the impact of the "greenhouse" effect, destruction of the rainforests, acid rain, and increasingly high levels of pollution and depletion of natural resources, received wide publicity (Quirke, 1996). Corporate responses towards this particular aspect of CSRes varied considerably. It seemed, however, that the emphasis was on defending and maintaining or extending profitability, rather than acknowledging responsibility and, at a cost, taking action to address the environmental consequences of operations. Thus, some companies responded defensively, to comply with the law and deflect the attention of green pressure groups; whereas others attempted to take advantage of the opportunities presented by the advent of the green consumer, who was willing to pay a premium for products that were perceived as being 'environmentally friendly' (Quirke, 1996).

In the 1990s, environmental reporting started again to dominate in the US orientation towards CSR. The Exxon Valdez disaster in 1989 prompted the Coalition for Environmentally Responsible Economies to produce comprehensive guidelines and the Securities and Exchange Commission (SEC) called for extensive environmental disclosure obligations for US companies (Zain, 1999). Environmental reporting also continued to be widely practised by Western European companies, particularly in

countries such as Germany and Sweden (see, e.g. Roberts, 1991; Adams *et al.*, 1995), whilst in the UK, the 1990s saw a dramatic increase in environmental disclosure in comparison to the 1970s and 1980s.

Since then, the number of companies producing stand-alone CSR reports has further risen steadily and, e.g. Corporateregister.com reports that, whilst in 1993 globally less than 100 companies annually produced such information, by 2003 this figure was in excess of 1,500 reports, and by 2007 had exceeded 2,000 (Milne and Gray, 2007). Stand-alone reporting seems to be affected by factors such as size, industry and country (Gray *et al.*, 1995a) and increasing numbers of these reports are externally attested (Milne and Gray, 2007). Nevertheless, as Milne and Gray (2007) note, “while we are celebrating the 2,000 MNCs that are reporting, we need to recall that over 58,000 MNCs are still failing to report on social and environmental issues – and this excludes, for example, all the SMEs and non-profit organisations whose impacts are equally of concern” (p. 199).

Most recently, the CSRes debate has been enriched by a considerable discussion concerning a perceived transition from CSRes, and corporate social rectitude, to corporate citizenship (McIntosh *et al.*, 1998, 2003). This last term “involves corporations becoming more informed and enlightened members of society and understanding that they are both public and private entities” (McIntosh *et al.*, 2003, p. 16). Business is a good corporate citizen and acts responsibly when it does not cause any damage to the environment, the employees and the citizens in general (Livio, 1996). As a progression of CSRes, therefore, corporate citizenship is seen as a fuller understanding of the role of business in society (McIntosh *et al.* 2003) and should involve more proactive corporate stances toward enhancing the stability and purpose of a community (Libert, 1996). Whether corporate citizenship will be better applicable than CSRes, though, is a doubtful matter, yet to be fully explored (Carpon and Gray, 2000).

Thus, to some extent, it could be argued that corporate citizenship encourages sustainable organisational practices, whereby, as the Brundtland Report indicates, the needs of the present are met, “without compromising the ability of future generations to meet their own needs” (UNWCED, 1987, p. 8 – see also discussion in section 3.5).

It should be noted, nevertheless, that “the meaning of sustainability itself is often contentious” (Adams and Narayanan, 2007, p.70), and organisations most often appear to interpret it in a self-interested way, to the extent of even considering it as primarily concerning sustaining profits (Milne and Gray, 2007), largely because the phenomenon is still largely unregulated (Gray *et al.*, 1995a, Milne and Gray, 2007).

This lack of regulation has also considerably affected the way CSR is perceived and expressed by organisations. Despite the aforementioned considerable increase in stand-alone reporting, particularly in the last decade, the quality of its verification process is questionable (O’Dwyer and Owen, 2005) and, “nomenclature... remains a problem. Reports might be titled as sustainable development reports, corporate social responsibility reports, triple bottom line reports, or even simply annual reports” (Milne and Gray, 2007, p. 185). It seems, therefore, that since both CSRes and CSR are largely unregulated, they are neither practised systematically nor able to claim “either universal recognition or universal definition” (Gray *et al.*, 1995a, p. 47).

In an attempt to place CSR in a framework, the most prominent recent initiative concerned the development of the *Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines* (GRI, 2000, as subsequently revised: 2002, 2006) (but see Adams and Narayanan, 2007, for a list of other ‘standardisation’ initiatives, including AccountAbility and International Standards Organisation [ISO]). GRI incorporates the active participation of corporations, NGOs, consultancies and accountancy bodies amongst other interest groups (Owen *et al.*, 2001). Its principal aim is to:

develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, environmental and social dimensions of their activities, products and services (GRI, 2000, p. 1),

and following its introduction, stand-alone reports are now frequently referred to as ‘sustainability’ reports (Milne and Gray, 2007). GRI, therefore, prompts organisations to adopt a triple-bottom-line (TBL) approach and report, in addition to their economic prosperity, their environmental quality and social justice (Elkington, 1999), by providing quantitative summaries with regard to their performance in these

areas over the previous year (Papmehl, 2002; Tschopp, 2003). Albeit being voluntary, companies that issue these reports are expected to gain from meeting investors' demands, from cost savings and from building a broad-based corporate reputation (Dowling, 2004). However, new forms of accounting and accurate and credible indicators of progress in TBL terms, need to be developed to achieve the balance implicit in the framework; further, as Buhr (2007) notes, TBL reporting is not sustainability reporting and "other aspects, like justice, equity and timeframe will need to be incorporated before we get all the way there" (p. 61)⁴.

To address the inherent limitations in the GRI framework and the TBL model, Woodward *et al.* (2004) have revised the TBL model by including corporate governance as a fourth dimension in a quadruple bottom line framework. Indeed, as Bebbington (2004) notes, "the frame of governmentality may be helpful in a variety of contexts in explaining how particular ends are pursued and especially how accounting and reporting techniques create the possibility to scrutinise and control behaviour with those ends in mind" (p.18). More participatory forms of corporate governance, therefore, with the development of new forms of accounting which can enhance levels of organisational transparency, can assist in better empowering stakeholders (Owen *et al.*, 1997) and, "prevent the planet, current and future generations being 'ripped off'" (Bebbington, 2004, p.18). Nevertheless, it appears that the history of CSR has only reached as far as TBL reporting, and whether "we can ever achieve a state where meaningful sustainability reporting can be produced remains to be seen" (Buhr, 2007, p. 61).

Hence, the review of the (considerable) development of CSRes and CSR in this period has indeed demonstrated that the two phenomena are closely interrelated and should not be considered in isolation, particularly in explanatory research projects. It appears that, in the period surveyed the developments (and thus motivations) of CSRes particularly influenced the developments in CSR, whether these considered:

⁴ Milne and Gray (2007) in fact consider TBL reporting to be "a hopeless distraction from substantive sustainability, or worse, the very means to frustrate moves towards the changes that sustainability requires" (p.193).

- the social developments and the emergence of the corporate social responsiveness and environmental awareness in the 1960s and 1970s (which triggered the introduction of mandatory social disclosures, the generation of the first social reports and the establishment of CSR);
- the trends towards corporate rectitude and ethics in the 1980s (which also brought to the CSR agenda ethical issues such as community affairs, equal opportunity and socially beneficial products);
- the increased public concerns over the detrimental impacts of the organisational activities to the environment in the 1990s (which also generated an environmental reporting outbreak); or,
- the recent debates over corporate citizenship and sustainable development (which further influenced the CSR regulatory and organisational practice);

they all signify that CSRes and CSR are two jointly developed phenomena, with largely common underlying drivers.

In respect of the drivers behind CSRes at the time, it appears that these were diverse. Social pressures and increased environmental awareness seem to be behind the escalation of the phenomenon in the 1960s and 1970s, although the developments in the last two decades may also be potentially attributed to the corporate engagement with business ethics and sustainability. The rise of ‘green consumerism’ in the late 1980s and 1990s is, however, associated with opportunistic views of CSRes.

Having completed the review of the development of CSRes and CSR, the next section identifies some distinct organisational positions, based upon the motivations for CSRes behaviour. These will be subsequently employed in the discussion of the drivers behind CSR in the next chapter.

2.4 The main CSRes positions

It would thus appear that there are two prime diachronic drivers behind CSRes development: changing public expectations and business ethics concerns. However, in the last decades opportunism has also emerged as a potential driver. Considering

that these phenomena have also over the time met strong opposition, it could be argued that there are four distinct corporate positions behind CSRes employment (or not).

2.4.1 CSRes1: ‘Pristine Capitalism’

As evident, particularly in the mercantile and early industrial periods, proponents of CSRes met strong opposition from supporters of the view that business should engage in strictly profit-oriented activities. According to this ‘pristine capitalist’ approach to CSRes, also termed ‘fundamentalist’ (Lindblom, 1993) and ‘classical’ (Boatright, 2003), “it is held that the corporation exists to earn a profit for the owners and, in doing so, makes the appropriate contribution to society” (Lindblom, 1993, p. 9). As Gray *et al.* (1996) have commented, in this view:

any notion of social responsibility is dominated by the need to make money for shareholders, to grow, make profits and seek economic efficiency... this is implicit in most accounting and finance (both theory and practice) but it is a view which we consider both wholly untenable and highly undesirable (p. 57).

Eminent proponents of this view are Friedman (“few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than making as much money for their stockholders as possible” [1962, p.133]) and Minow (“Nothing is more enduring than the fiction that companies have a primary responsibility to society... One thing must be clear. There is no such thing as a ‘good company’ that is not profitable” [1996, pp. 15-16]). This view therefore would consider that the organisation has no other responsibility other than those embedded in law and should not engage in any voluntary CSRes.

2.4.2 CSRes2: ‘Stakeholder Capitalism’

At the other end of the spectrum, as evident particularly in the classical and the medieval periods (as identified by Eberstadt, 1973), organisations may be ethically driven towards CSRes. For ethical organisations, social and environmental

considerations, “instead of being opposed to maximizing economic value, constitute the primary long-term decision parameters. Strategic objectives are predicated on long-term sustainability objectives rather than profitability goals” (Dillard *et al.*, 2005, pp. 86-87). In this approach the supporters of what Hemphill (1997) names ‘stakeholder capitalism’ would be included. Stakeholder capitalism aims at business becoming a fully human institution and should be generally based on four principles: stakeholder co-operation; acknowledgement of the considerable complexity; continuous creation; and emergent competition, out of co-operation among stakeholders (Freeman, 2002). Thus, stakeholder capitalism,

takes a firm ethical stand: that human beings are required to be at the center of any process of value creation; that common decency and fairness are not to be set aside in the name of playing the game of business and that we should demand the best behavior of business (Freeman, 2002, p. 115).

Thus, supporters of this ethics-focus approach (which may also be referred as ‘normative’, given that, in theory, this *should* be the prime motivation for CSRes) would support that an era of a proactive corporate sense of social responsibility will develop and mature (Frederick, 1994); where organisations will be judged for their corporate citizenship, beyond profitability or return to shareholders (Bovet, 1994). Organisations espousing these views would be expected to embrace Epstein’s (1987) definition of CSRes:

Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action have been the main focus of corporate social responsibility (p. 104).

2.4.3 CSRes3: ‘Ethics Pragmatism’

As the previous historical review indicates, particularly in the 20th century CSRes activities appear to be mostly externally driven. CSRes was viewed as a pragmatic necessity, where organisations are wise to show they serve the general welfare as well as the interests of their shareholders (Badaracco, 1996; Estrock and Lechty, 1998), in order to satisfy the public, and other relevant parties’ pressures. In this

perspective, the view considering that long-term economic welfare and stability can only be achieved by the acceptance of certain (usually minimal) wider social responsibilities, could be incorporated. This view emphasises that business should consider its social responsibilities as inseparable from its economic function and should focus on balancing the often conflicting values of market economy and political and social rights (Gray *et al.*, 1996). Thus, organisations would remain concerned about survival issues and profit margins, but this should tend “to be more in the context of profits AND environmental sensitivity, for example, or profits... AND social responsibility” (Henderson, 1984, p. 170), in order to additionally satisfy their relevant parties’ demands.

This approach is consistent with Carroll’s (1983) definition, where clearly profitability is prescribed as a necessary condition for organisations to further consider business ethics and social responsibility:

In my view, CSR [CSRes] involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supporting. To be socially responsible... then means that profitability and obedience to the law are foremost conditions to discussing the firm’s ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent (p. 604).⁵

2.4.4 CSRes4: ‘Ethics opportunism’

Also evident in the last century, though, particularly in the appearance of the ‘green consumerism’ in the 1980s and 1990s, is the idea that CSRes may also be opportunistically driven. In today’s competitive markets, even when there is an originally genuine and altruistic managerial motivation towards CSRes, it will most likely conflict with the organisation’s overarching aim of profit maximisation; consequently, almost any activity undertaken by (particularly larger) organisations, “must be, virtually by definition, in the interests of the organisation and its financial participants... It is in the nature of business to consider merely business cases” (Spence and Gray, 2007, p.17). Approaches emphasising that there is a business case

⁵ This builds on an earlier definition by Carroll (1979): “Before anything else, the business institution is the basic economic unit in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit. All other business roles are predicated on this fundamental assumption” (p. 500).

for CSRes can be included here, where increased profit is the prime motivation underlying the phenomenon. As Drucker (1969) has suggested:

Any institution has to have an impact on society in order to carry out its mission... [and] impacts on the local community and the natural environment... These impacts are necessary; we could not otherwise obtain the goods and services from business, the education from the schools, the new knowledge from the research laboratories, or the traffic control from local government. But they are not the purpose of the organization. They are incidental to it... it is the [organisation's] duty to anticipate impact (pp. 249-250). [However] Ideally an organization converts into opportunities for its own performance the satisfaction of social needs and wants, including those created by its own impacts. In pluralist society every organization is expected to be an 'entrepreneur' in the traditional meaning of the term, that is, the agent of society which shifts resources from less productive to more productive employment... This means, in particular, that it is an ethical demand of business to convert into profitable business the satisfaction of social needs and wants (p. 253).

These 'opportunistic' organisations, therefore, would embrace Drucker's (1984) view of CSRes:

But the proper 'social responsibility' of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth (p. 62)

2.5 Summary

This chapter has provided a brief review of the development of CSRes and its reporting. The review demonstrates that CSRes is diachronically driven by three types of motivation: ethical (CSRes2), pragmatic (CSRes3 – the desire to maintain profitability) and opportunistic (CSRes4 – the desire to extend profitability). It also demonstrates that CSRes has altogether been opposed by supporters of the pristine capitalism view (CSRes1), who consider business' only responsibility is to make profits.

The review further indicates that there is a strong relationship behind the driving force for both CSRes and CSR development. The next chapter explores these relationships by relating these CSRes drivers to the individual CSR drivers, with an aim to synthesise the theoretical arguments into a framework in chapter 4.

Chapter 3

The theoretical explanations of CSR

3.1 Introduction

The preceding chapter reviewed the development of CSRes and identified four distinct organisational positions based upon the motivations for CSRes behaviour.

The overarching aim of this chapter is to review the most important theoretical explanations for CSR in the literature and directly relate them to the CSRes positions identified in the preceding chapter and to the other three research questions of the study (Is CSR reactive or proactive? Is it strategic or ethical? Can it be explained on a social contract basis?). This will assist in clarifying their interrelationships and will provide the basis for the theoretical framework of the study (in which the research questions serve as ‘dimensions’) presented in the following chapter.

The remainder of this chapter is organised as follows. The frameworks drawn from social and political theory are initially reviewed. Some more ‘functional’ perspectives (to use the term of Gray *et al.*, 1988 and O’Dwyer, 1999), drawn from economic and decision usefulness theories, are reviewed next. Then, some insights into business ethics are provided, followed by marketing arguments. The concluding section of this chapter summarises its findings.

3.2 Social and political theory frameworks

Social and political theory studies attempt to explain CSR and other features of the organisation-society relationship in terms other than from an exclusive economic perspective (O’Dwyer, 1999). As such, they allow a concentration on the role of CSR in the relationship(s) between organisations, the state, individuals and groups (Gray *et al.*, 1996). They accept that CSR can be undertaken for reasons other than

the pursuit of economic self-interest (O'Dwyer, 1999) and are considered by some to be, "by far the more interesting and insightful" (Gray *et al.*, 1995a, p. 52).

In the literature, there are two social and political explanations that appear to be most prominent: Legitimacy Theory (LT) and political economy of accounting theory, both of which are consistent with a stakeholder theory understanding of the organization–society relationship (Campbell, 2000). LT is reviewed in detail in the next chapter, as it is of most relevance to this study. Other social and political theory frameworks include social contract theory and accountability theory, which are reviewed first. These are followed by discussions on stakeholder theory and political economy of accounting theory, respectively.

3.2.1 Social contract theory as rationale for CSR

Social contract theory is one of the most frequently used theoretical frameworks in CSR research, and information and explanations relating to the history of the development of the concept of the social contract are well covered in a number of publications (e.g. Shocker and Sethi, 1973; 1974; Dowling and Pfeffer, 1975; Donaldson, 1982; Gray *et al.*, 1988; Mathews, 1993; Lindblom, 1993; Gray *et al.*, 1995a; Gray *et al.*, 1996; Deegan and Rankin, 1996; Zain, 1999; Deegan, 2000; Deegan *et al.*, 2000; Deegan and Unerman, 2006; Garcia – Lacalle, 2006).

The notion of social contract originated in political philosophy, and was discussed by philosophers such as Thomas Hobbes (1588-1679), John Locke (1632-1704), and Jean Jacques Rousseau (1712-1778). However, as Donaldson (1982) notes:

The political social contract provides a clue for understanding the contract for business. If the political contract serves as a justification for the existence of the state, then the business contract by parity of reasoning should serve as the justification for the existence of the corporation (p. 37).

In brief, this theory holds that a contractual relationship exists between organisations and society and, due to the existence of this contract, "business agrees to perform various socially desired actions in return for approval of its objectives, other rewards

and ultimate survival” (Guthrie and Parker, 1989, p. 344). As Shocker and Sethi (1974) maintain:

Any social institution – and business is no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on:

- (1) the delivery of some socially desirable ends to society in general, and,
- (2) the distinction of economic, social, or political benefits to groups from which it derives its power. (p. 67)

As Deegan (2000) notes, “It can be argued that the requirements imposed by the law reflect the explicit terms of the social contract, while uncoded community expectations (and these will be perceived to be different by different people) constitute the implicit terms of the social contract” (fn 7, p. 254). A failure to fulfil the social contract may lead to actions by society to remove an organisation’s right to continued operations (Deegan and Rankin, 1997). These sanctions may take the form of legal restrictions imposed on its operations, limited resources (for example, financial capital and labour) being provided and reduced demand for its products (Deegan, 2000).

With regard to motivations for CSR, therefore, social contract theory, would suggest that organisations engage with CSR because this is a community expectation and thus an implicit requirement (considering that CSR is largely unregulated) of the social contract (Henriques and Sadorsky, 1999; Bansal and Roth, 2000). This implies that CSR is an externally, non-ethically motivated activity; hence, social contract theory seems to primarily predict that organisations act as ethics pragmatists in respect of CSR, engaging with the phenomenon to satisfy the public and other relevant parties’ pressures.

However, as explained in more detail in the next chapter, even if it is assumed that organisations engage with CSR for other than social contract reasons, this does not necessarily imply that the social contract does not exist. With regard to the pristine capitalists (CSRes1), for example, it can be argued that the social contract is embedded for them in law, while considering their only accountability is owed to their shareholders and assuming that maintaining or extending profitability is all what every possible constituent is interested in (e.g. employees for ensuring salaries, governments for taxes, creditors for ensuring their repayments). It would be

expected, therefore, from pristine capitalists to engage with CSR only to the point required by law.

Stakeholder capitalists (CSRes2) can further be compatible with social contract theory. Ethically motivated organisations would acknowledge the existence of a social contract but, with regard to their employment of CSR, would engage with it because e.g. they would consider that all their stakeholders have a right to information, regardless of whether they feel there is an implicit social contract requirement for CSR or not. As opposed to the ‘pragmatic’ approach to CSR described above, this is an ethically and internally motivated corporate stance.

Furthermore, even the ethics opportunists (CSRes4) may be compatible with Social Contract Theory. Organisations of this type would acknowledge the existence of a social contract, but they would either engage with CSR while considering that this is not an implicit social contract requirement, or they would disclose more CSR information than required from the contract to increase their economic benefits. These organisations would be internally motivated, similarly to the ethical approach, but also strategically motivated, similarly to the pragmatic perspective for CSR engagement.

Evidently, therefore, as summary Table 3.1 illustrates, social contract theory does not have a definitive answer to any of the first three investigated research questions of the study. However, as also evident in the table, social contract theory also serves as question 4 and a starting point for the discussion in this chapter: each of the remaining theoretical explanations for CSR discussed in the chapter will be considered for compatibility with the theory to assist in the development of the framework in the next chapter.

Table 3.1 Dimensions of social contract theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Social Contract Theory	All	Either	Either	Yes

3.2.2 Accountability theory as rationale for CSR

Accountability theory is also frequently used in the CSR literature (see, e.g. Tricker, 1983; Laughlin, 1990; Perks, 1993; Gray *et al.*, 1987, 1991, 1996, 1997; Adams *et al.*, 1998; Zain, 1999; O'Dwyer, 1999; Deegan, 2000; Woodward *et al.*, 2001). Gray *et al.* (1997) indicate that accountability involves two responsibilities or duties: the responsibility to undertake certain actions (or forbear from taking actions) and the responsibility to provide an account of those actions. In the case of the shareholders and a company, the directors have a stewardship role; a responsibility to manage the resources entrusted to them by the shareholders and a responsibility to provide an account of this management. In this way, the AR and the financial statements can be seen as a “mechanism for discharging accountability” (Gray *et al.*, 1996, p. 38).

These views of accountability are based on the belief that the owners or shareholders are distinct from the managers and directors and that there is a need for directors to be accountable to shareholders. However, since the late 1960s, when social responsibility issues were brought to the fore, the whole area of accounting standards and regulation became a matter of debate (Gray *et al.*, 1996) and wider views of accountability were suggested. Particularly the publication of TCR (Accounting Standards Steering Committee, 1975) put forward a wider view, where all significant economic entities have an implicit duty to report publicly, whether or not this is required by law or regulation. As Gray *et al.* (1996) infer, society can be thought of as a series of individual ‘social contracts’ between members of society and the society itself, that provides the basis for the rights of the parties in that relationship, including rights and responsibilities relating to information flows.

Since accountability however involves taking *action* (in this case, providing a CSR account), regardless of to whom accountability is owed (i.e. only shareholders? All stakeholders?) it could be compatible with virtually all *motivations* for CSR. It is perhaps these considerations that provoked Gray *et al.*'s (1995, p.70) concerns for accountability not being, “an especially helpful perspective for the interpretation of CSR practice” (see also Gray *et al.*, 1996 and O'Dwyer, 1999, for similar arguments). Considering, though, the wide compatibility of accountability theory to the other theoretical explanations of CSR, it could be argued that the theory is at the

heart of corporate financial, social and environmental reporting and should not be excluded from an explanatory framework of CSR practice. For example, Unerman and O'Dwyer (2006) have identified a number of accountability variants, subject to whom accountability is owed. Unerman's (2007) dual distinction of holistic, as opposed to strategic, accountability (also referred to by O'Dwyer and Unerman, 2008, as 'hierarchical accountability') will be most frequently employed in the subsequent discussion, given its resemblance to the strategic vs. ethical research question of the study.

According to Unerman's (2007) holistic accountability variant, accountability is owed to all stakeholders affected by organisations' actions (including future generations and non-humans), and in this respect CSR can be perceived as, "a key mechanism for social, environmental and economic sustainability" (p. 89). On the contrary, the 'strategic' variant considers that accountability is owed only to powerful stakeholders, implying that CSR is used to maximise organisational economic prosperity. From this discussion, therefore, it can be inferred that accountability theory, similarly to social contract theory, does not have a definitive answer to any of the investigated research questions of the study: it can be compatible with a view of a contractual relationship between organisations and society; it may assume either a strategic or an ethical position; it can be reactive as well as proactive; and it can take a normative or a strictly profit-centred orientation, hence potentially being consistent with all CSRes positions, as Table 3.2 summarises.

Table 3.2 Dimensions of accountability theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Accountability Theory	All	Either	Either	Yes

3.2.3 Stakeholder theory as rationale for CSR

Stakeholder theory is frequently employed in the CSR literature (see, *inter alia*, Roberts, 1992; Clarkson, 1995; Gray *et al.*, 1996; Woodward *et al.*, 1996; Neu *et al.*, 1998; O'Dwyer, 1999; Woodward, 1999; Zain, 1999; Gray, 2001). Even when not employed directly to explain underlying phenomena, it is frequently utilised as part of other theoretical approaches⁶. Furthermore, definitions of CSR put stakeholders and their informational needs at the heart of their analyses (see e.g. Gray *et al.*, 1995a).

A 'stakeholder' can be "any identifiable group or individual who can affect the achievement of an organisation's objectives, or is affected by the achievement of an organisation's objectives" (Freeman and Reed, 1983, p. 91, see also Freeman, 1984). This implies that the organisation is likely to have many stakeholders, which will include, among others, employees, communities, society, the state, customers, competitors, suppliers, local governments, stock markets, industry bodies, the media or even non-human life and future generations (Gray *et al.*, 1996). There seem to be two variants of stakeholder theory, a moral (normative) and a managerial version (Deegan and Unerman, 2006).

The moral perspective of stakeholder theory argues that all stakeholders have the right to be treated fairly by an organisation, and that issues of stakeholder power are not directly relevant. That is, regardless of whether stakeholder management leads to improved financial performance, managers should manage the organisation for the benefit of all stakeholders. As Hasnas (1998) states, this variant:

views the firm not as a mechanism for increasing the stockholders' financial returns, but as a vehicle for coordinating stakeholder interests, and sees management as having a fiduciary relationship not only to the stockholders, but to all stakeholders... This of course implies that there will be times when management is obliged to at least partially sacrifice the interests of stockholders to those of the other stakeholders (p. 23).

⁶ Legitimacy theory, for example, recognises that a contractual relationship exists between organisations and their stakeholders (Suchman, 1995; Watson *et al.*, 2002). However, Guthrie and Parker's (1989) and Gray *et al.* 'bourgeois' Political Economy (1996) employs the stakeholder notion; the former directly and the latter with reference to interest groups and their interactions with organisations

According to this variant of stakeholder theory, therefore, CSR is a product of an ethical and internally motivated corporate stance and would be driven by the managerial desire to satisfy all stakeholders' needs, in line with a CSRes2 position. Organisations would engage with CSR regardless of whether it is a social contract requirement or not, considering that, "those impacted by corporate activities had a 'right' to know about these impacts" (O'Dwyer, Unerman and Bradley, 2005, p. 22). However, this would not be the case with the managerial variant of Stakeholder Theory.

According to Gray *et al.* (1996) the managerial variant of Stakeholder Theory is more 'organisation-centred'. As they note,

Here (under this perspective), the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the organisation. (The interests of the organisation need not be restricted to conventional profit-seeking assumptions). The more important the stakeholder to the organisation, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval (p. 45, comments in brackets in original).

Indeed, empirical evidence (Neu *et al.*, 1998), in line with Tinker's (1983) views, finds stakeholder theory to be employed in a strictly organisation-centred way. In this case, stakeholder analysis assists in identifying, "which groups are stakeholders deserving or requiring management attention, and which are not" (Mitchell *et al.*, 1997, p.855; see also Clarkson, 1995 and Nasi *et al.*, 1997, for similar arguments), and in ranking or prioritising their interests (Gray, 2001)⁷. For this variant, therefore, clearly CSR is not an ethically motivated activity. However, managerial Stakeholder Theory does not seem to have a clear CSRes position or a precise CSR orientation, with regards to whether it is an internally or externally motivated activity.

When stakeholder theory is empirically linked with LT (Neu *et al.*, 1998), it seems to predict reactive corporate stances towards CSR. This implies that, on the basis of an

⁷ A number of studies (Freeman, 1994; Clarkson, 1995; Mahoney, 1997) suggest that some stakeholders are more powerful than others and, still, "shareholders have the dominant role in external information provision (Gray *et al.*, 1996, p. 47)"

assumed 'contractual' relationship between organisational stakeholders (Cooper and Sherer, 1984), "stakeholder analysis would enable identification of those societal interest groups to whom the business might be considered accountable, and therefore to whom an adequate account of its activities would be deemed necessary" (Woodward and Woodward, 2001, p.1). The findings of Neu *et al.* (1998) supported this reactive organisational stance towards CSR, when, after examining the CSR disclosures in a sample of Canadian companies, they concluded that, "the level and type of environmental disclosure contained in the annual reports is influenced primarily by an organisation's relevant publics, and that the communication strategies adopted by the organisation are influenced by the multiplicity and power of these different publics" (p. 274). In this case, therefore, CSR is an externally motivated activity, implicitly required by a social contract and a CSRes3 'pragmatic' position would be held.

However, the fact that the disclosures of an organisation are influenced by specific stakeholders and their power, does not exclude the possibility of the organisation acting proactively. A proactive perspective towards CSR, "would suggest concentration by the company only on those stakeholders considered important by the company in its ability to control its environment, and to whom selective reporting might then be expected to occur" (Woodward and Woodward, 2001, p. 1). Roberts (1992), similarly to Neu *et al.* (1998), found that stakeholder power is significantly related to levels of corporate social disclosures but he concluded that organisational managers use CSR as a proactive method of managing stakeholders and their organisational environment. In this self-interested approach, therefore, organisations would consider CSR as an opportunity to manage stakeholders and control their environment to their own benefit, and employ it more than required by social contract amounts, holding what would seem to be an 'opportunistic' (CSRes4) position.

Stakeholder theory, therefore, as summarised in the below table, cannot come up with a definitive answer regarding whether CSR is an internally or externally, and strategic or ethical, motivated activity neither with an answer on which is the implied CSRes position. Considering, though, that in all its variants it appears to be compatible with the social contract theory, it could be employed as a basis for the

development of a CSR motivational conceptual framework, similarly to, for example, Woodward *et al.* (2001).

Table 3.3 Dimensions of stakeholder theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Stakeholder Theory	CSRes2,3,4	Either	Either	Yes

3.2.4 Political economy of accounting theory as rationale for CSR

A Political Economy of accounting (PE, hereafter) perspective is generally perceived as the main alternative framework to LT (Buhr, 1998; Campbell, 2000; O'Donovan, 2002a), which is discussed in the next chapter. This perspective is cited in a number of studies (e.g. Tinker, 1980; Tinker and Neimark, 1987; Guthrie and Parker, 1989, 1990; Arnold, 1990; Ader, 1993; Gray *et al.*, 1995a; Gray *et al.*, 1996; Buhr, 1998; O'Donovan, 1999, 2002a; O'Dwyer, 1999; Zain, 1999; Campbell, 2000; Woodward *et al.*, 2001, Van Der Laan, 2004; Deegan and Unerman, 2006). However, whereas a general coherence is observed on how each of the main interpretations reviewed in this chapter can explain CSR, this is not apparent in the PE framework, since variations are revealed on most of the studies regarding its very meaning⁸.

The origins of the Political Economy notion can be traced back to ancient Greece. Originally the term seemed to mean the careful management of finances. In the classic economists' work (Steuart, 1767; Smith, 1776) the term Political Economy seemed to incorporate economic science and policy notions (Woodward and Woodward, 2001). However, Robbins (1937) made a distinction between Economics and Political Economy, considering that the latter focuses on the realisation of aims whose formulation lay outside the economic discipline, such as the principles of public economic policy.

⁸ These variations are product of the wider and diachronic political economy debate. The discipline of political economy never seemed to obtain a solid theorisation and appeared to have a changing nature over the centuries, since it was often considered as a synonym to the term 'economics'. As Schumpeter noted (1954, p.21, cited in Woodward and Woodward, 2001, p.5), "political economy meant different things to different writers".

It is in the last three decades that this notion has been employed in the investigation of accounting phenomena, originally by authors such as Tinker (1980). There are four main approaches to PE which can be applied in CSR research: the one evident in the work of Gray and colleagues (see Gray *et al.*, 1995, 1996; Campbell, 2000; Gray, 2001); the one by Tinker (1980) and other ‘critical theorists’ (e.g. Boczko, 2000; Cooper and Sherer, 1984; and Marston, 1984); the one stemming largely from the work of Guthrie and Parker (1989, 1990, supported by e.g. Woodward *et al.*, 2001; Woodward and Woodward, 2001); and the one variation on the ‘critical theory’ approach, suggested by Buhr (1998, see also O’Donovan, 2002a). These approaches, despite having some similarities⁹, differ *inter alia* in the way they view the relationship between PE and social contract theory.

Gray *et al.*, (1996), view PE to be, “the social, political and economic framework within which human life takes place” (p. 47); therefore it includes LT and stakeholder theory. According to Gray *et al.* (1995a,b) and others (e.g. Gray *et al.*, 1996; Adams *et al.*, 1998, Deegan, *et al.*, 2002), PE can be viewed as either ‘classical’ or ‘bourgeois’, with the difference between the two lying in the importance placed on structural conflict within society.

Classical Political Economy [PE1] traces its origins to the work of Carl Marx and is most frequently associated to the work of Tinker (1980) and other ‘critical theorists’. This approach “places class relations at the forefront of the analysis... concerned with the effects of accounting information and corporate reporting on the distribution of income, wealth and power” (Tinker and Neimark, 1987, p. 72). Accounting reports and disclosures, such as CSR, are perceived as a means of maintaining the favoured position of those who control scarce resources and as a means of undermining the position of those without scarce capital (Deegan and Unerman, 2006). Thus, it is argued that CSR distracts attention from more fundamental structural issues, leading to the extension of power, and is therefore viewed as being essentially captured by powerful vested interests (O’Dwyer, 1999). Hence, this variant would suggest a proactive and strategic CSR stance and, therefore, it is not

⁹ These approaches appear to agree that PEA “emphasises the fundamental interrelationship between political and economic forces in society” (Miller, 1994, p.16): “that society, politics, and economics are inseparable so that issues, such as economic issues, cannot be considered in isolation from social and environmental issues” (Blomquist and Deegan, 2000, p.7).

consistent with Social Contract Theory: organisations would be expected to hold pristine capitalism and opportunistic positions, by only engaging with social responsibility activities to the extent that it would be of economic benefit.

Bourgeois Political Economy [PE2] is rooted in the work of John Stuart Mill and is associated with the work of Gray and colleagues (see e.g. Gray *et al.*, 1995, 1996; Campbell, 2000; Gray, 2001). A researcher adopting this approach, “tends to take these things [structural conflict, inequality] as given and thus excludes them from the analysis” (Gray *et al.*, 1996, p. 48) and takes a more pluralist perception of society, in that he/she implicitly assumes that, “many classes of stakeholders have the power to influence various decisions by corporations, government and other entities” (Deegan and Unerman, 2006, fn 5, p. 301). It is this variant from which LT and stakeholder theory are perceived to derive.

However, the nebulous nature of this explanation (Campbell, 2000) does not allow for a conclusion to be reached on whether it assumes CSR to be internally or externally driven activity (who is more powerful, the classes of stakeholders or the organisations?); or on whether it may incorporate potential ethical motivations with regard to CSR employment; or, on the identification of the CSRes position of organisations (Pragmatic? Opportunistic? Ethical?). Considering, though, that, according to PE2, PE allegedly incorporates LT, this implies that PE2 accepts the existence of a Social Contract; however, it is questionable whether there is a way for this theoretical perspective to contribute in the development of an explanatory CSR framework.

The third approach to PE [PE3] stemming largely from the work of Guthrie and Parker (1989, 1990, undated, supported by e.g. Woodward *et al.*, 2001; Woodward and Woodward, 2001; see also supportive evidence from Galbraith, 1957; Neimark and Tinker, 1986; Benson, 1982; Gray *et al.*, 1996; Freedman and Patten, 2004) appears to contribute more to understanding motivations for CSR. The full Guthrie and Parker definition (unpublished, as cited in Woodward *et al.*, 2001, p. 361) of a political economy of accounting is:

Political economy of accounting theory... suggests that corporate disclosure is proactive in that information provided is from a managerial perception and

designed to set and shape the agenda, mediate, mystify and shape the world. It is one where private interests prevail, conflict and classes are ‘in focus’... (the approach) portray(s) corporate reporting as involving the use by social actors of accounting information and corporate annual reports to mediate, suppress, mystify and transform social conflict (Guthrie and Parker, undated, pp. 5-6)

Thus this approach, similarly to PE1, places conflict and classes ‘in focus’; however, while in PE1 (Tinker’s approach) power is perceived to rest primarily with the state and only secondly with corporate executives, for Guthrie and Parker the latter is the locus of control in the modern corporation (Woodward and Woodward, 2001). Further, Guthrie and Parker (1989; 1990) consider PE as an alternative framework to LT and do not consider that LT is incorporated within it. However, with regard to the research questions of this study, PE3, similarly to PE1, does not appear to be consistent with Social Contract; assumes proactive and strategic corporate stances towards CSR; and implies organisations holding pristine capitalism and opportunistic positions.

The fourth approach to PE [PE4] comes from Buhr (1998, see also O’Donovan, 2002a). Buhr (1998) also seems to adopt a largely PE1 view in that she emphasises the role to the oppressive organisational world of “dysfunctional structural relationships... [which] create a power élite that controls resources, broadly defined” and where “accounting systems act as mechanisms used to create, distribute and mystify power” (p. 165). However, she also interestingly notes that PE and LT:

are all means to organisational legitimacy... the distinction between legitimacy theory and political economy theory is on a micro level rather than a macro level. They both serve to legitimate, but means and motivation are viewed differently. It is in the interpretation of disclosure choice that the differences between the social constructionist perspective (... legitimacy theory) and the hegemonic perspective (... political economy theory) are played out (pp. 165-166).

Even Guthrie and Parker’s (1990) argument that CSR may, “serve as a tool for constructing, sustaining, and legitimizing economic and political arrangements, institutions, and ideological themes which contribute to the corporation’s private interests” (p. 166), may be considered consistent with Buhr’s (1998) arguments. Thus, from all PE variants, PE4 appears to be the only one with a clear orientation with regards to a CSRes position (pristine capitalism and/or opportunism) and CSR

motivation (internally and strategically oriented), and which is further consistent with social contract, since it is generally perceived to be incorporated into a wider LT framework. Thus, it can contribute further to the development of the relevant social contract-based, CSR framework, discussed in the next chapter. Table 3.4 summarises the discussion in this section:

Table 3.4 Dimensions of political economy of accounting theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Political Economy of Accounting Theory	CSRes1,4	Proactive	Strategic	PE1,,3 No; PE2,4 Yes

3.3 Extensions of Legitimacy Theory

A number of theoretical frameworks, drawn from social and political theory, reactive in nature, have been employed in the literature to explain motivations for CSR, and these are based on LT and thus on social contract theory (LT is reviewed in detail in the next chapter as it is of most relevance to this study). These include media agenda setting theory, public pressure perspectives and institutional theory, all of which provide useful insights into the legitimacy framework.

3.4.1 Media agenda setting theory as rationale for CSR

Media Agenda Setting Theory (MAST) has received considerable attention in the social and environmental accounting literature (see e.g. Brown and Deegan, 1998; Esrock and Leichty, 1998; Deegan *et al.*, 2000; Deegan *et al.*, 2002; Patten, 2002a; Tilling, 2004), where it is argued that a relationship exists between the relative emphasis given by the media to various topics and the degree of importance these topics have for the general public (Zéghal and Ahmed, 1990; Ader, 1995):

Increased media attention is believed to lead to increased community concern for a particular issue ... the media are not seen as mirroring public priorities; rather, they are seen as shaping them (Brown and Deegan, 1998, p. 25).

MAST, therefore, considers media to be the single most important stakeholder to set the agenda in the organisation-society interplay. It can be considered to be a ‘hand in

glove’ compatriot with Legitimacy Theory (Woodward *et al.*, 2001). Organisations, whenever they feel that their legitimacy is threatened from the increased media attention, are expected to respond with increased social and environmental disclosures; MAST, hence, advances a reactive, externally driven and not ethical corporate stance towards CSR, implying that organisations are ‘pragmatically’ (CSRes3) driven towards CSRes.

Despite the significant empirical evidence supporting this view (see e.g. Ader, 1993; Deegan *et al.*, 2000; Deegan *et al.*, 2002; Patten, 2002a) though, its main disadvantage is that it disregards the importance of other key-players in shaping public concern and, consequently, their effect on CSR. As Brown and Deegan (1998) admit, “the media is not as effective in some industries as others in shaping community expectations...also, there is a possibility that dominant players in some industries had strategically planned the timing and format of their environmental disclosures in a bid to manipulate or shape community perceptions and concerns...rather than simply reacting to changes in community concerns” (p. 33). This suggests that a PE perspective may apply. Furthermore, Patten (2002a) also acknowledges a number of caveats in his analysis, most notably that, “it is always possible that the relations noted in this study are due not to the variable of interest, but rather to an omitted, related factor” (p.169) – a problem that most sophisticated quantitative analyses face. Table 3.5 summarises the framework’s position towards the research questions of the study.

Table 3.5 Dimensions of MAST

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Media Agenda Setting Theory	CSRes3	Reactive	Strategic	Yes

3.3.2 Public pressure theory as rationale for CSR

Closely related to MAST and to LT are external (or public) pressure perspectives evident in a number of studies (see e.g. Walden and Schwartz, 1997; Neu *et al.*, 1998; Adams, 2002; Patten, 2002b) attempting to explain CSR. These are wider than

the MAST perspectives and suggest that the extent of CSR disclosure is a function of exposure to public pressure in the social and political environment: “companies facing greater exposures...would be expected to provide more extensive environmental disclosures” (Patten, 2002b, p.763). Public pressure can arise due to concerns of the general population, political bodies, or regulatory (or legal) agencies (Boulding, 1978; Patten, 2002b).

These perspectives, in essence, incorporate MAST and are consistent with LT: organisations, whenever they realise that their legitimacy is threatened by increased, for one reason or another, public pressure, react by increasing their levels of CSR. Thus, similarly to MAST, CSR is seen as a pragmatic (CSRes3), externally and not ethically driven activity – by definition then consistent with social contract theory and LT. Despite not being as restrictive as MAST and having been empirically validated (see e.g. Adams, 2002; Patten, 2002a,b), since these perspectives consider organisations accountable to the public, they are almost identical to the legitimacy theory perceptions and, therefore, cannot contribute further to this theoretical review of CSR. Table 3.6 summarises the framework’s position towards the study’s research questions:

Table 3.6 Dimensions of public pressure theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Public Pressure Theory	CSRes3	Reactive	Strategic	Yes

3.3.3 Institutional theory as rationale for CSR

Another LT-based theoretical perspective (Suchman, 1995) that has been employed to explain CSR is institutional theory (at times referred to as institutional legitimacy theory) (see e.g. Jones, 1996; Milne and Patten, 2002; Rahaman *et al.*, 2004). Institutionalists:

downplay both managerial agency and manager-stakeholder conflict. In a strong and constraining symbolic environment, a manager’s decisions often

are constructed by the same belief systems that determine audience reactions. Consequently, rather than examining the strategic legitimation efforts of specific focal organizations, institutionalists tend to emphasize the collective structuration (DiMaggio and Powell, 1983) of entire fields or sectors of organizational life (Suchman, 1995, p. 576).

Institutional theory considers that much management behaviour, including attempts to legitimate, may be controlled not by managers but rather by institutional pressures that create tendencies towards isomorphism within the organisational field (DiMaggio and Powell, 1983). From this perspective, legitimacy is gained by the organisation becoming isomorphic with its environment (Meyer and Rowan, 1977; Milne and Patten, 2002) to reduce these pressures. Accounting is generally perceived to represent one form of institutionalised practice within organisations; according to Covalleski *et al.* (1996, p.11) accounting in the form of an institution may represent “a ceremonial means for symbolically demonstrating an organisation’s commitment to a rational course of action” (see section 4.4.2 of the next chapter for a comprehensive discussion on symbolic legitimation). CSR in this context, as a record of institutionalised practices (such as social and environmental activities, and as an extension to financial reporting) that managers provide to external constituencies, can assist companies enhance their legitimacy (Meyer and Rowan, 1977; Arndt and Bigelow, 2000).

Institutional theory, therefore, can potentially make a significant contribution to the CSR conceptual framework. Empirically, it is verified by a number of research works showing that companies tend to imitate each other (particularly, smaller ones emulate the practices of bigger ones – see e.g. DiMaggio and Powell, 1983; Bansal and Roth, 2000; Milne and Paten, 2002; Rahaman *et al.*, 2004; Woodward *et al.*, 2004). This reveals a reactive, externally driven and not ethical corporate stance towards CSR, where disclosing information of this type would be seen as a pragmatic necessity to conform to institutionalised pressures, in order to maintain legitimacy (CSRes3), as Table 3.7 shows.

However, it should be noted that companies, under this perspective, do not seem to be accountable to their stakeholders but to institutionalised structures. If these structures are determined by society or government then it could be expected that all

companies would try to conform; however, it may be that these structures and practices (as CSR) are determined by the larger, dominant companies in their markets (e.g. a larger company sets increased CSR levels). In this case, smaller companies may react (e.g. with increased disclosures), to maintain or enhance their legitimacy, but a different theoretical explanation should be sought to reveal the reasons behind the proactive, internally motivated stance of the larger companies (such as a PE, or even holistic accountability, perspective). A similar explanation should be sought for organisations attempting to alter institutionalised practices (Ashforth and Gibbs, 1990; Lindblom, 1993). In this case, therefore, it seems that a definitive conclusion cannot be reached with regard to the ethical/strategic CSR orientation of the internally motivated larger companies.

Table 3.7 Dimensions of institutional theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Institutional Theory	CSRes3	Reactive	Strategic	Yes

3.4 Decision usefulness and economic perspectives

In this section what Gray *et al.* (1996) and O'Dwyer (1999) call functional perspectives are presented: that is, the decision usefulness and economic theories that have been used to explain CSR. These two types of study fit into a functionalist paradigm (Mathews, 1993; Tilt, 1994) and are based in neo-classical economic theory. Gray *et al.* (1988) and Gray *et al.* (1996) view social accounting researchers using these perspectives as emanating from the extreme right-wing of politics (see, e.g. Friedman, 1962, 1970) and relate these perspectives to the pristine capitalist (CSRes1) arguments, presented in section 2.4.1. The relevant arguments reviewed include decision usefulness theory, signalling theory, positive accounting theory and agency theory. Most of these perspectives generally appear to put forward a case for more proactive, and not ethically motivated, corporate management of CSR disclosures, implying an ethics opportunist position towards their social and environmental responsibilities.

3.4.1 Decision usefulness theory as rationale for CSR

Decision usefulness studies concentrate on the end user of any social information that is being disclosed and argue that companies undertake CSR because *traditional* user groups (investors and creditors) find it useful for their investment decision making (see Spicer, 1978; Belkaoui, 1984; Dierkes and Antal, 1985). Using this perspective, CSR is only seen as useful if it can be used to enhance a company's corporate image or reputation (Gray *et al.*, 1988).

Decision making has always been the main thrust for accounting development (Zain, 1999) and according to the US Financial Accounting Standards Board (1978), "the objective of financial reporting is to provide information useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions" (cited in Zain, 1999, p. 87). Gray *et al.* (1995a) identify two forms of study from this perspective: "ranking" studies, and the investigation of the information effects of CSR on share price behaviour. The first type of study tends to assess whether bankers and others perceive social information (as one form of accounting information) as being of any importance (see e.g. Campbell and Slack, 2006a,b). The second type of study attempts to assess the stock market reaction to disclosing companies in order to determine if social disclosure is used by stock market participants as a source of information (see e.g. Pava and Krausz, 1996).

Research on decision usefulness studies of corporate social disclosures seemed to be popular in the late 1970s and 1980s (see Bowman, 1973; Benjamin and Stanga, 1977; Belkaoui, 1980, 1984; Aupperle, 1984), but see also White (1996), Blacconiere and Northcut (1997), Gago (2002), Freedman and Patten (2004), Lorraine, Collison and Power (2004), Campbell and Slack (2006a,b), for a recent re-emergence of these approaches. The empirical evidence provided from these studies, however, appears to be inconclusive (Matthews, 1987; Owen *et al.*, 1987; Gray *et al.*, 1996). For example, some empirical evidence suggests that company performance is positively associated with social disclosure (Abbot and Monsen, 1979; Anderson and Frankle, 1980) while others indicate a negative association, concluding tentatively

that “it pays to be good but not too good” (Mahapatra, 1983, p. 10, see also Bowman and Haire, 1976, O’Dwyer, 1999). Mathews (1993) suggested that even though the findings are conflicting, it may be argued that the overall weight lies towards the view that disclosure of non-traditional information does have utility for shareholders and the security market because information content is established regardless of the direction in which the share prices move.

On the contrary, Deegan (2004) argues that if market studies of CSR indicate no market reaction, “then a view might be promoted that the environmental and social disclosures have no relevance... the failure to find associated changes in market prices has the potential to be used to support arguments against regulating or mandating a particular disclosure given that ‘the market’ does not seem to need or respond to the data” (p. 88). This stems from the ‘shareholder primacy’ approach to CSR regulation. Deegan (2004) further notes that, “While shareholders and their information demands are important (and these information demands are often considered to relate more to information about financial information), shareholders are only part of the community and a more holistic perspective of information demand (and related accountabilities) is arguably warranted” (p. 90).

CSR in this context has been viewed as essentially an extension of financial reporting to satisfy profit seeking investors, implying a rather internally motivated, not ethical but rather opportunistic approach to corporate responsibility (CSRes4). However, corporate information is not only useful to capital providers but also to a wider audience (see e.g. above arguments of social and political frameworks). The re-emergence of Socially Responsible Investment – SRI (Miller, 1992, has traced social investment origins from the Victorian era) provides major implications for both CSR and CSRes (Gray *et al.*, 1996; Zain, 1999; Verschoor, 2005). These investors are interested in the social and economic performance of business from moral and social criteria rather than solely from an economic perspective¹⁰. Even though these investors are new players in the field, and the amount of funds invested is moderate, their high profile and new investment philosophy has attracted a wider institutional

¹⁰ But see Clikeman’s, 2004, argument that this CSR engagement may also benefit companies in achieving stock price performance, attracting ‘patient’ shareholders and enhancing the firm’s reputation and brand value, indicative of the potential strategic and ‘opportunistic’ motivation behind this corporate trend

response (Zain, 1999). As Verschoor (2005, p. 17) notes, “more than one in every nine dollars under professional investment management is involved with SRI”.

Does anyone, apart from socially responsible investors, however, use such information for decision making? In reality, studies have suggested that the financial community finds CSR as better than useless but rank it as only ‘moderately important’ (see Benjamin and Stanga, 1977; Firth, 1979, 1984; Belkaoui, 1984). Deegan and Rankin (1997) further concluded that stockbrokers were found to give relatively little weight to environmental performance information relative to financial performance information. These findings are consistent with the findings in *Business in the Environment* (1994) and the more recent ones from Campbell and Slack (2006a,b), in which the evidence indicates that British analysts consider environmental issues to be largely irrelevant.

However Deegan (2004, p. 93) also cites a report from the University of Cambridge (2003, p. 5), based on a survey of Chief Executive Officers (CEOs) from the Global Fortune 500 (world’s largest companies by revenue) which shows that “despite recent financial scandals (Enron, WorldCom, etc.) CEOs predict that in the near future social credibility will be as important as financial credibility, and environmental credibility will only be marginally less important”. Furthermore Deegan (2004) suggests that the limited research on this CSR field may be because “for philosophical reasons, many researchers in the social and environmental area do not care to embrace capital market research” (p. 90), since, as he comments earlier on the same page, “markets promote unsustainable growth—rewarding companies for continuous profit growth (the bigger the profits the better) but [are] penalising them for profit downturns”.

Further research, therefore, is deemed necessary to further clarify the inconsistencies in the reported empirical evidence. Table 3.8 summarises the discussion. Overall, it can be tentatively concluded that this perspective assumes an internally and not ethically driven corporate stance with regards to CSD, consistent with a CSRes1 (in case of non-disclosure) and CSRes4 (in case of disclosure) view of corporate responsibility; and, although not directly drawing from it, further consistent with Social Contract Theory, as explained above.

Table 3.8 Dimensions of decision usefulness theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Decision Usefulness Theory	CSRes1,4	Proactive	Strategic	Yes

3.4.2 Signalling theory as rationale for CSR

Signalling theory is frequently cited in capital markets research (see, e.g. Ross, 1977; Downes and Heikel, 1982; Masulis, 1983; Miller and Rock, 1985; Masulis and Korwar, 1986; Noe, 1988; Lucas and McDonald, 1990; Giner and Reverte, 2003) and is based on the information asymmetry premise, which claims that firm managers or insiders are assumed to possess superior private information about the firm than outsiders, such as investors, shareholders and other interested groups, do not have (see, e.g. Ross, 1977; Leland and Pyle, 1977; Myers and Majluf, 1984; Asquith and Mullins, 1996). According to signalling theory, in this context of information asymmetry the choice of a determined financial structure may be considered as a signal which conveys private information to the market. For example, a number of studies empirically derive a positive correlation between leverage (an increase of which is perceived to ‘signal’ to the outsiders of possible increased capital returns) and share value, in a cross section of otherwise similar firms (see e.g. Leland and Pyle, 1977; Heinkel, 1982; Blazenko, 1987; John, 1987; Poitevin, 1989; Ravid and Sarig, 1989).

Considering the theory’s wide employment in financial markets research, however, it is surprising that this theory has not yet been explicitly employed in a similar way in CSR research. In fact, it seems that this perspective is hardly employed even in broader accounting research (for some notable exceptions, see Morris, 1987, for a general normative statement on how signalling, along with agency, theory can be employed in accounting research; and Watson *et al.*, 2002, for an employment of the theory to explain the voluntary disclosure of companies’ financial ratios).

However, these arguments could be found useful in explanatory CSR research. It could be argued, for example, that organisations signal their compliance to the social contract requirements/legitimacy to selected stakeholders by disclosing specific related information in their ARs, indicating a ‘pragmatic’, reactive, not ethically motivated corporate stance towards CSR. Alternatively, they could signal their potentially ‘excess’ ethicality, to gain a competitive advantage and subsequent economic benefits, indicating an ‘opportunistic’, internally, not ethically motivated CSR stance, that could still be consistent with social contract theory, though, as discussed in section 3.2.1. It could even be argued that companies signal to all their interested parties their espousal of holistic accountability, by disclosing a lot of CSR information, of even negative in addition to positive form (see discussion in section 4.4.3), in an attempt to ask for active support from their constituents to increase pressures on other organisations, in order to raise the overall benefit and stability of the community they are part of (internally, ethically motivated, CSRes2, stance).

Further normative and empirical works are therefore needed to clarify the theory’s potential contribution in explaining current CSR practice. Further normative work, for example, could consider the relationships in the general organisational theory context of the verbs ‘signal’ and ‘show’ or ‘communicate’. Considering that CSR involves, “communicating the social and environmental effects of organisations’ economic actions to particular interest groups” (Gray *et al.*, 1987, p. ix), and since organisations produce a CSR record to show – project - communicate it to somebody, then potentially all CSR activity (not to say all voluntary business activity involving communication, for example advertisements and press releases) can be potentially perceived to be a signal to some targeted groups, a rather flaccid, and of limited potential utility to organisational theory, argument. Evidently, further normative work could also consider the potential relationship of signalling theory with marketing theory, since, in the same vein, it could be argued that all voluntary organisational activity that involves communication is related to marketing arguments. Table 3.9 summarises the discussion.

Table 3.9 Dimensions of signalling theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Signalling Theory	CSRes2,3,4	Either	Either	Yes

3.4.3 Positive accounting theory as rationale for CSR

Several empirical studies (e.g., Belkaoui and Karpik, 1989; Ness and Mirza, 1991; Lemon and Cahan, 1997; Milne, 2001) have sought to establish evidence for Positive Accounting theory (PA) as an explanation for firms' social disclosures. Drawn from the financial reporting field, PA (at times referred to as the political cost hypothesis), is based on the work of Watts and Zimmerman (1986). More specifically, Watts and Zimmerman (1986) argue that:

managers have greater incentives to choose accounting standards which report lower earnings (thereby increasing cash flows, firm value, and their welfare) due to tax, political, and regulatory considerations than to choose accounting standards which report higher earnings and, thereby, increase their incentive compensation (p. 18).

They view, therefore, CSRes as a means of minimising earnings and political costs:

Corporations employ a number of devices, such as social responsibility campaigns in the media, government lobbying and selection of accounting procedures to minimize reported earnings. By avoiding the attention that "high" profits draw because of the public's association of high reported profits and monopoly rents, management can reduce the likelihood of adverse political actions and, thereby, reduce its expected costs (p. 115).

PA, therefore, predicts a proactive, internally and strategically motivated corporate stance towards CSR, where companies' managers attempt to 'set the agenda' to opportunistically increase their welfare. This perspective can further be consistent with Social Contract Theory, in that PA motivated organisations could engage with CSR and CSRes in excess to what is required by the implicit contract, to increase their welfare. In fact, as Deegan (2000) reports, it has been suggested that these arguments are similar to some predictions of Legitimacy Theory, in that "Annual

Report disclosure practices can be used in a strategic manner to manage an organisation's relations with the community in which it operates" (p. 264). Despite that, LT, in contrast to PA, makes no assumptions about the efficiency of the markets, such as the capital market and the market for managers (Deegan, 2000). As Deegan (2002) in a later study argues, PA is as well a systems approach, albeit involving fewer stakeholders, and could also be considered consistent with more strategic approaches to legitimacy, as the subsequent chapter illustrates.

However, more normative and empirical research is needed to further clarify these arguments. It could be argued, for example, contrary to PA predictions, that managers generally employ tax and stock evaluation policies to maximise reported earnings and increase their compensations, through also increasing reserves, potential future investments and attracting more investors; CSR could be then additionally employed to further increase their welfare by e.g. projecting ethicality and gaining competitive advantage. It could be acknowledged, though, that even in this case, CSR is internally and strategically motivated, in an 'opportunistic' (CSRes4) manner, as Table 3.10 illustrates.

Table 3.10 Dimensions of PA

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Positive Accounting Theory	CSRes4	Reactive	Strategic	Yes

3.4.4 Agency theory as rationale for CSR

Agency Theory has been employed in a number of studies to explain why managers voluntarily disclose information (see e.g. Chow and Wong-Boren, 1987; Hossain *et al.*, 1994; Watson *et al.*, 2002). In the case where managers are the agent and shareholders the principal, where managers hold less than 100 per cent of the firm's residual claims, managers capture only a part of the entire gain from their activities that may help enhance the profit, but they will suffer the entire cost of these activities

(Jensen and Meckling, 1976). Managers, in the knowledge that shareholders will seek to control their behaviour through bonding and monitoring activities, may employ disclosures (such as CSR) to try and convince shareholders they are acting optimally (Watson *et al.*, 2002). Such an approach therefore, albeit not excluding the existence of an implied Social Contract, denotes an internally motivated, strategic and ‘opportunistic’ (CSRes4) corporate stance towards CSR.

When viewed in this narrow context, agency theory resembles PA in that both entail a proactive corporate stance towards CSR, where CSR is a tool that managers use at their own disposal, either to avoid adverse political actions or to reduce agency costs. In this case, though, there seems to be a fundamental difference between the two theories. In PA, managers and shareholders’ interests appear to coincide and managers in essence sacrifice the yields that an increased earnings policy would generate for them, for the greater common benefit that a lower earnings policy entails. When agency theory, though, is applied *per se*, by definition managers and shareholders interests are in conflict and managers may employ CSR to convince business owners that they act optimally.

However, agency theory has also been employed in a wider context in the CSR literature (see Laughlin, 1990; Arrow, 1991; Gray *et al.*, 1991, 1996; Woodward *et al.*, 2001). According to these perspectives, the principal, to which management is accountable, could be considered to be not only the shareholders of the business but, rather, society at large, and the agent is the company rather than the managers. Thus, similarly to the managers-stakeholders relationship, organisations are accountable to society at large, with often conflicting interests. In this case, agency theory can explain both a reactive and a proactive corporate stance towards CSR. A reactive, externally motivated (consistent with CSRes3 ‘pragmatic’ position) scenario, where the principal’s interests predominate, would suggest that the principal (society) has the ability to command appropriate actions from the agent (company). On the contrary, a proactive, internally motivated corporate stance (consistent with the ‘opportunistic’ CSRes4 position) is revealed when one considers the information provided by a company as a product of managerial perceptions of what is required to influence societal opinion of the organisation and dictate the agenda (Woodward *et al.*, 2001).

Gray *et al.*, (1995a) disregard these approaches, concluding that the “‘economic theory’ in the pristine sense in which it normally is applied in accounting research has little or nothing to offer as a basis for the development of CSR”¹¹ (p.51). Causal observation, though, reveals that PA explanations rely on empirical evidence largely identical to that used in support of other explanations (such as LT) of CSR¹² (Milne, 2001). Furthermore, empirical evidence has revealed that agency theory can be found useful in explaining CSR, particularly when employed in a wider context (see e.g. Woodward *et al.*, 2001).

Table 3.11 Dimensions of agency theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Agency Theory	CSRes3,4	Either	Strategic	Yes

3.5 Business ethics frameworks as rationales for CSR

Business ethics frameworks hold a prominent place in the arguments for CSRes and CSR. This is evident in Boatright’s (2003, p. 373) definition of social responsibility, which is considered to be, “the selection of corporate goals and the evaluation of outcomes not solely by the criteria of profitability and organisational well-being but by ethical standards or judgments of social desirability”. The exercise of social responsibility, in this view, must allow for companies to earn a satisfactory level of profit but it also implies a willingness to forgo a certain measure of profit in order to achieve CSRes ends. Business ethics frameworks, therefore, imply a corporate CSRes2 approach to social and environmental responsibility, consistent with social

¹¹ Gray *et al.*, (1995, p. 52, fn. 11) go on to admit, however, having been persuaded by many of the critiques, that they have not seriously engaged this literature because they believe it to be “virtual rubbish” and prefer their position as “heretics” (Milne, 2001).

¹² Lemon and Cahan (1997, p.79) suggest that, “Patten finds that the public pressure variables [firm size, and industry classification] are significant while the profitability variables [ROA, ROE] were not. Patten interprets these results as supporting legitimacy theory, where a firm must satisfy an implied contract with the society it operates in. To the contrary, as firm size is commonly used to represent a firm’s political visibility, we interpret Patten’s results as consistent with the political cost hypothesis”.

contract theory, where organisations are ethically and internally motivated towards CSR, and, further consistent with the ‘moral’ variant of Stakeholder Theory, where organisations holistically acknowledge their accountabilities to all their stakeholders and forgo some profits to satisfy them.

Attributing ethical and general altruistic motives automatically assumes that organisations are capable of perceiving and assuming responsibility, as well as being able to hold values and make moral choices (Kusku and Zarkada-Fraser, 2004). Despite the fact that this assumption has been debated for centuries (Laufer, 1996), both theoretical and empirical support has been provided to the assumption of corporate-human equivalence (Laufer, 1996, Kusku and Zarkada-Fraser, 2004). Thus, corporations have been described as moral agents acting in the pursuit of their convictions, embodied in their codes of practice and expressed in corporate cultures, following ethical principles and displaying the virtue of ‘corporate integrity’ (Kusku and Zarkada-Fraser, 2004). It has been further argued that organisations not only are capable of moral judgement, but that they are progressing through stages of moral development, similar to those of human cognitive moral development (Kohlberg, 1976, 1981; Logsdon and Yuthas, 1997; Kushu and Zarkada-Fraser, 2004).

Ethics-oriented companies would be expected to be committed to sustainable development. As Clikeman (2004) notes, sustainability “is a philosophy that weights the current economic benefits of activities against the effects of those activities on future generations” (p. 24). For these organisations, social and environmental considerations, “instead of being opposed to maximizing economic value, constitute the primary long-term decision parameters. Strategic objectives are predicated on long-term sustainability objectives rather than profitability goals” (Dillard *et al.*, 2005, pp. 86-87). These companies, for example, would attempt to create and produce products and services that are consistent with the long-term generative capacities of renewable resources and absorptive capabilities of the ecosystem (Gladwin, 1993; Kiuchi and Shireman, 2002; McDonough and Braungart, 2002; Dillard *et al.*, 2005). However, as Deegan (2002) acknowledges, “unfortunately, it is unlikely that this view would be the dominant view in most business organisations operating within the capitalist system” (p. 290).

In a similar way to Deegan (2002), Jones (1996) has criticised the practicality of this moral perspective of business ethics theory. He claimed that the ethical arguments (see Donaldson, 1982; Evan and Freeman, 1988; Swanson, 1997) contended that firms should behave in a socially responsible manner as it was the morally correct thing to do, despite the fact that it may in some cases involve unproductive expenditure on the part of the organisation. Jones (1996) further criticised these moral arguments from the perspective that telling a manager to behave in a socially responsible manner for moral reasons, despite the fact that it may be counterproductive to his/her career, was not realistic “in a world that is increasingly commodified, rationalized and secular” (p. 28). He also maintained that organisation theory would suggest that even if a manager *wanted* to act in a socially responsible manner, there would be control systems in place to ensure that he or she acted in accordance with the organisation’s interests. These interests normally accorded with those of top management involving the appeasement of the financial markets, and acting against them would lead to dismissal (O’Dwyer, 1999; see also Mintzberg, 1983, and Mander, 1992, for similar arguments).

To realistically address these arguments, Henderson (1984) has offered a ‘spectrum of ethicality’ to enable corporate executives to clarify and defend the postures they select. In this, he identifies three major spectra of legal and ethical compliance. Organisations in the first spectrum, that of minimum compliance, would meet the minimum of legal and ethical requirements, and would be strongly profit oriented. Organisations in the second spectrum, maximum compliance, would remain concerned about survival issues and profit margins, but this would tend, “to be more in the context of profits AND environmental sensitivity, for example, or profits AND affirmative and profits AND social responsibility” (Henderson, 1984, p. 170, emphasis in original). Organisations in the third spectrum, innovative compliance, possibly anticipating new legislation and ethical expectations and being in an industry where the profit is either very secure or guaranteed, would be oriented towards social goals and put profit making into second place. These arguments are graphically represented in Figure 3.1 and have also been considered in the development of the theoretical framework of the study, presented in the next chapter.

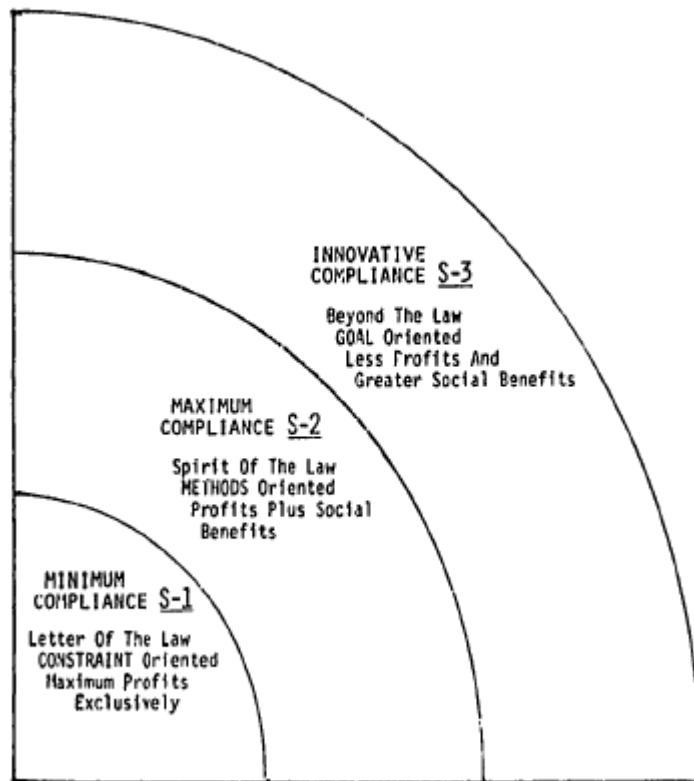


Figure 3.1 A spectrum of ethicality (Henderson, 1984, p. 169).

As the discussion in section 3.2.1 has illustrated, all these approaches could be related to social contract theory. In any case, ethics-motivated organisations would be expected to be proactive and voluntarily adopt sustainability initiatives and even contribute in their further development by providing suggestions for improvement. Table 3.12 summarises these arguments.

Table 3.12 Dimensions of business ethics theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Business Ethics Theory	CSRes2	Proactive	Ethical	Yes

3.6 Marketing theory as rationale for CSR

The extent to which marketing theory has been employed to explain CSR practice has been a matter of a recent debate (see Adams, 2008; Bebbington *et al.*, 2008a,b; Unerman, 2008). This is largely due the fact that, although CSR authors often incorporate marketing theory-based notions, such as image or reputation, in their arguments or findings (see, e.g. Trotman, 1979; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Adams *et al.*, 1998; Deegan *et al.*, 2000; Woodward *et al.*, 2001; Adams, 2002), they rarely consider an ‘Image’ or ‘Reputation’ theory as the sole focus of their research. This complementary role of marketing theory (usually to LT-based arguments) has led Unerman (2008) to note that, “Although common in practitioner discourse... [the] reputation risk management (RRM) motive has not yet explicitly been addressed to any great extent in the academic CSR reporting literature” (p. 362).

A marketing theory-based explanation of CSR could perceive it as an organisational attempt to respond and capitalise on ethical consumerism. As Pruzan (2001, p. 51) stresses, “Ethical consumerism can be interpreted as an expression of the heightened awareness of the role played by the individual consumer in his or her interplay with the business community. Ethical consumers react positively or negatively in their purchasing behaviour to what they consider to be ethical or unethical behavior of business ... to satisfy their conscience, to send a signal to both the corporate world and the politicians, and, indirectly, to supplement the workings of democracy”. Not surprisingly, therefore, Kotler (2003), in acknowledging the importance of social and environmental issues, concludes that:

the future holds a wealth of opportunities for companies. Technological advances ... promise to change the world as we know it. At the same time, forces in the socioeconomic, cultural and natural environments will impose new limits on marketing and business practices. Companies that are able to innovate new solutions and values in a socially responsible way are the most likely to succeed (p. 702).

In addition to satisfying ethical consumer needs, it could be argued that, by improving corporate image, CSR could be employed to address a wider array of

stakeholders. These views are empirically supported by the findings of Adams (2002), who revealed that “the main motivation for corporate ethical reporting according to the interviewees is to enhance corporate image and credibility with stakeholders” (pp. 244-245). Further support comes from Deegan *et al.* (2000, p.127), who suggest “these results highlight the strategic nature of voluntary social disclosures and are consistent with a view that management considers that annual report social disclosures are a useful device to reduce the effects upon a corporation of events that are perceived to be unfavourable to a corporation’s image”. Such organisations, therefore, would be primarily externally and strategically driven towards CSR and would adopt a ‘pragmatic’ stance towards CSRes (CSRes3), in an attempt to reduce the likelihood of being sanctioned for not complying with the social contract.

However, a proactive perspective may also explain organisational efforts to improve their image. Since there has been a “shift in attention away from the physical aspects and functional benefits of products to their symbolic associations and expressiveness” (Poiesz, 1989, p.461), companies may increase their CSR levels to improve their image and, for example, mystify consumers’ perceptions of the firm and the actual value of their products (as a PE perspective would involve). This perspective is supported empirically by Woodward *et al.* (2001, p. 387), who identified that “the companies interviewed are very concerned with ‘image building’”; Adams *et al.* (1998, p. 17), who noted that, “UK companies use... the [Annual] report as a means of advertising their social responsibility”; and the recent KPMG (2008) CSR survey, which finds that 55% of their 2,200 surveyed corporations around the world considered improving brand and reputation as a prime motivation for CSR. These organisations would be internally and strategically driven towards CSR; they would disclose more CSR than that required from the social contract and thus adopt an ‘opportunistic’ stance towards CSRes, in an attempt to increase economic benefits.

The foregoing discussion reveals that marketing arguments support both internally and externally motivated arguments for CSR. Corporate image perspectives seem to be also consistent with social contract theory and CSRes3 and CSRes4 positions and they generally seem to involve strategic corporate CSR stances. The next chapter

attempts to incorporate these arguments in an LT-based framework. These arguments are summarised in Table 3.13.

Table 3.13 Dimensions of marketing theory

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Marketing Theory	CSRes3,4	Either	Strategic	Yes

3.7 Other rationales for CSR

A number of other explanations for CSR, mainly pragmatic and opportunistic, are cited in the literature and their position as regards the study's research questions are summarised in Table 3.14. These arguments are not as frequently employed as the ones discussed so far and are largely self-explanatory. The opportunistic arguments consider that CSR can be used to improve the organisational market and economic position (Hart, 1995; Bansal and Roth, 2000; Dillard *et al.*, 2005), by, for example, gaining additional market share, competitive advantage and/or increasing market size (Porter and Van Der Linde, 1995a; Adams *et al.*, 1998; Deegan *et al.*, 2000; Woodward *et al.*, 2001; Adams, 2002; Hart and Milstein, 2003; Aguilera *et al.*, 2004; Dillard *et al.*, 2005). Additionally, it has been suggested that CSR can assist in influencing regulation (Adams *et al.*, 1998; O'Dwyer *et al.*, 2005) and in achieving business efficiencies, improving perceptions and benefiting staff moral, development and trust (Spence and Gray, 2007).

Most of these arguments can be also perceived as pragmatic, when the focus is on 'maintaining' as opposed to 'improving' (i.e. maintaining market size or existing perceptions and staff moral). Some additional pragmatic arguments to engage with CSR may include pressures from employees, peer pressure to conform to the 'best practice', market drivers (i.e. pressure from markets and investment ratings) and regulation compliance (Spence and Gray, 2007). Campbell (2000), nevertheless, has also demonstrated that CSR may be further influenced by the individual Chair person (or the Board, as Spence and Gray, 2007, also note) in office and their personal value systems (for similar evidence pertaining to CSRes see O'Dwyer, 1999). These

explanations, similarly to the PE1,3 arguments presented earlier, appear to be alternative explanations to social contract theory and whether the motivation has, for example, ethical or strategic character would be subject to the individual value system of those in charge. The above arguments are summarised in Table 3.14.

Table 3.14 Dimensions of other rationales for CSR

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Competitive advantage/ increasing market size	CSRes4	Proactive	Strategic	Yes
Improving perceptions, staff moral, development and trust	Csres4	Proactive	Strategic	Yes
Influencing regulation	CSRes4	Proactive	Strategic	Yes
Pressures from employees	CSRes3	Reactive	Strategic	Yes
Peer pressure	CSRes3	Reactive	Strategic	Yes
Regulation compliance	CSRes3	Reactive	Strategic	Yes
Chair's / Board value systems	Subject to the individual value systems			No

3.8 Summary

The purpose of this chapter has been to provide the foundation for the development of the theoretical framework of the study (presented in the next chapter), by reviewing the most frequently cited theoretical approaches in the extant CSR literature and relating them to the main research questions of this study. A summary of these findings is provided in Table 3.15.

Table 3.15 Dimensions of the CSR theoretical perspectives

Theoretical Framework	CSRes Position	Reactive vs. Proactive CSR	Strategic vs. Ethical CSR	Social Contract Acceptance
Social contract theory	All	Either	Either	Yes
Accountability theory	All	Either	Either	Yes
Stakeholder theory	CSRes2,3,4	Either	Either	Yes
Political economy of accounting	CSRes1,4	Proactive	Strategic	PE1,3 No PE2,4 Yes
MAST	CSRes3	Reactive	Strategic	Yes
Public, employees, peer pressures	CSRes3	Reactive	Strategic	Yes
Institutional theory	CSRes3	Reactive	Strategic	Yes
Decision usefulness theory	CSRes1,4	Proactive	Strategic	Yes
Signalling theory	CSRes2,3,4	Either	Either	Yes
Positive accounting theory	CSRes4	Proactive	Strategic	Yes
Agency theory	CSRes3,4	Either	Strategic	Yes
Business ethics	CSRes2	Proactive	Ethical	Yes
Marketing theory	CSRes3,4	Either	Strategic	Yes
Competitive advantage	CSRes4	Proactive	Strategic	Yes
Improving perceptions & staff moral, trust & development	CSRes4	Proactive	Strategic	Yes
Influencing regulation	CSRes4	Proactive	Strategic	Yes
Chairmen/Board value systems	Subject to the individual value systems			No

Frameworks, such as social contract theory, stakeholder theory, agency theory and marketing perspectives, explain CSR practices but do not conclude in a clear proactive/internally driven or reactive/externally driven CSR orientation. The discussion revealed that mainly legitimacy based perspectives (institutional theory, MAST, public pressure theories) consider organisations accountable to their powerful relevant stakeholders and prompt them to react to the latter expectations, to comply with the requirements of the social contract. In contrast, mainly PE, PA and decision usefulness perspectives consider organisations now to be too powerful and thus able to dictate the agenda.

The review of the theories also supported that a proactive CSR stance does not necessarily reflect a profit-oriented, strategically behaving organisation nor does a reactive CSR stance necessarily reflect an ethically-oriented one. Proactive corporate stances may denote a Marxian conflict-based confirmation (companies shape the agenda, use CSR to publicise their responsibility, aim at specific stakeholders and manipulate consciousness to survive); however, a proactive stance may also be a signal of a reflective perspective, where firms are acting responsibly for ethical and possibly Accountability reasons. Likewise, reactive disclosures may be a sign of a sensitive corporate stance, interested in stakeholders' expectations; but, it may also be that organisations are interested only in their private interests and react just to maintain their legitimacy and survive (in a sense, confirming Marx), or because it has become an institutionalised practice.

Considering the nature of this research, which focuses on investigating motivations for CSR, the strategic vs. ethical distinction seems to be more useful. The review revealed that most of the perspectives seem to involve a strategic stance, whether this implies a dependence on external pressures or a self-interested approach to CSR. With regard to CSRes position, all four distinct CSRes positions discussed in the preceding chapter (section 2.4) were identified in the review of the theories. Finally, the majority of the theories were found to be compatible, to a lesser or greater extent, with a social contract view.

Based on these findings, three main implications for the development of the framework can be identified. Firstly, most of the arguments are compatible with a

social contract view and could be included in an LT framework. Secondly, the strategic vs. ethical distinction seems to be more useful as a dimension/classification of the theories to use in such a framework. And thirdly, considering that all the ‘ethical’ arguments are compatible with stakeholder capitalism (CSRes2) position and the strategic ones are either compatible with a pragmatic (CSRes3) or opportunistic (CSRes4) position, this suggests that these distinctions may also be useful in a CSR framework.

Having clarified these relationships, the theoretical framework of the study based on Legitimacy Theory can be reviewed.

Chapter 4

Legitimacy Theory framework

4.1 Introduction

The preceding chapter reviewed the most frequently employed theoretical explanations of CSR in the literature and clarified their relationships in respect of the research questions of the study. The chapter concluded that most of the reviewed theoretical explanations are compatible with social contract theory, a tenet of LT; and that the corporate positions identified in chapter 2 regarding CSRes may also provide a useful base for an explanatory CSR framework.

The overarching aim of this chapter is, by building on these findings, to introduce the LT theoretical framework of this study. Firstly, some background information on the theory is provided. Next, the legitimacy notion is revisited, three organisational legitimacy types are suggested (profit, image and ethics) and these are related to the corporate positions identified in chapter 2 towards CSRes and to the theoretical frameworks discussed in chapter 3. Then, the management of organisational legitimacy is considered, with regard to whether it is substantive or symbolic, positive or negative and whether it is part of an attempt to extend, maintain or defend legitimacy. This is followed by a discussion on the empirical evidence on legitimacy threats and a summary of the legitimacy management section. The penultimate section of this chapter introduces the propositions of the study, and the concluding one provides a synopsis of the chapter.

4.2 Background

Drawing from the foundational work of Parsons (1956a,b, 1960) and Weber (1978), LT has been made by researchers, “into an anchor-point of vastly expanded theoretical apparatus addressing the normative and cognitive forces that constrain, construct, and empower organizational actors” (Suchman, 1995, p. 571). LT has been

employed widely in the last decades by researchers seeking to examine social and environmental accounting practice and is probably the most cited theory in the CSR field (see e.g. Hogner, 1982; Guthrie and Parker, 1989; Patten, 1992, 2002; Woodward *et al.*, 1996; Pava and Krausz, 1997; Adams and Harte, 1998; Brown and Deegan, 1998; Neu *et al.*, 1998; O'Donovan, 1999; O'Dwyer, 1999; Campbell, 2000; Deegan *et al.*, 2000, Wilmshurst and Frost, 2000; Woodward *et al.*, 2001; Deegan, 2002, 2007; Deegan *et al.*, 2002; Campbell *et al.*, 2003; Crowther, 2004; Tilling, 2004).

LT is centred on the notion of a social contract (see section 3.2.1), whereby “business agrees to perform various socially desired actions in return for approval of its objectives, other rewards and ultimate survival” (Guthrie and Parker, 1989, p. 344). Proponents of the use of LT in CSR thus argue that a corporation can (and does) legitimise itself in the eyes of the public by voluntarily disclosing information about its social activities in the AR (O'Donovan, 1999). Consistent with this view, Richardson (1987, p. 352) asserts accounting is a legitimating institution, and provides a “means by which social values are linked to economic actions”.

Failure to comply with societal expectations (in essence, to comply with the terms of the social contract) may lead to sanctions being imposed by society (Deegan and Unerman, 2006). As Lindblom (1993, p.3) notes:

To the extent corporate performance does not reflect the expectations of the relevant publics a legitimacy gap exists... [This] will fluctuate without any changes in action on the part of the corporation... the corporation must make changes or the legitimacy gap will grow as the level of conflict increases and the levels of positive and passive support decrease... the resulting penalty for any perceived legitimacy gap will come in the form available and deemed appropriate by the particular person or persons.

These sanctions may take an economic form (such as limited provision of financial capital, reduced demand of products, boycotts of output, strikes), a legal form (e.g. lawsuits, other legislative action) or social action (limited labour capital, publicity campaigns, information picketing [Lindblom, 1993; Deegan, 2000, 2002; Aguilera *et al.*, 2004]). It is in this expected legitimacy gap, incurred after a threat to legitimacy, that is found the basis of the propositions of this study (see sections 4.4 and 4.5).

However, despite the theory's wide application, few researchers define the notion when they employ it and "Legitimacy and related concepts unfortunately have been... both abstract and indefinite" (Hybels, 1995, p. 241). Further, "most treatments cover only a limited aspect of the phenomenon as a whole and devote little attention to systematizing alternative perspectives or to developing a vocabulary for describing divergent approaches... [Hence] research on organizational legitimacy threatens to degenerate into a chorus of dissonant voices" (Suchman, 1995, p. 572). Concerns have also been expressed for the use of LT within the CSR field and as Deegan (2002, p. 298) admits, "While legitimacy theory might provide useful insights, it can still be considered to be an under-developed theory. There are many 'gaps' in the literature which embraces legitimacy theory"¹³.

Perhaps one of the most typical 'gaps' occurring in the literature centres on whether LT implies a reactive or proactive organisational stance towards CSR. LT is most frequently considered to posit that CSR practices are *reactive* to social/environmental, political and economic pressures (see e.g. Guthrie and Parker, 1989, undated; O'Dwyer, 1999, Woodward *et al.*, 2001); however, as Lindblom (1993) has noted: "the corporate decision that it is necessary or appropriate to undertake a legitimization strategy may be reactive or proactive in nature" (p. 17). A reactive legitimization strategy may be initiated as a reaction to a possible legitimacy threat, whereas, a proactive legitimacy strategy, "is aimed at preventing a legitimacy gap as opposed to attempting to narrow such a gap" (p. 18). This approach to legitimacy management is further espoused by a number of studies (Perrow, 1970; Dowling and Pfeffer, 1975; Preston and Post, 1975; Parker, 1986; Buhr, 1998; O'Donovan, 2002a; Patten and Crampton, 2004) and will be discussed in more detail in what follows.

¹³ Deegan (2002) quotes a number of examples to elaborate on this view: "do legitimising activities actually work, and if so, which forms of disclosure media are more successful in changing community views about an organisation... there is still a general lack of knowledge whether particular groups in society are relatively more influenced by legitimising disclosures than others...how do managers most effectively become aware of ... the terms of the 'social contract'? How do managers determine which segments of society ... are conferring the much-needed legitimacy?" (pp. 298-299). See also Deegan (2007) for a summary of these arguments.

4.3 The types of legitimacy

In an attempt to clarify the ambiguous legitimacy notion, Lindblom (1993) adopts from the seminal work of Dowling and Pfeffer (1975) the following definition:

Legitimacy is a condition or a status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part (Lindblom, 1993, p. 2).

This definition is consistent with the view that legitimacy is an *operational resource* that organisations extract – often competitively – from their cultural environments and that they employ in pursuit of their goals; a view, as Suchman (1995) notes, associated with the work of Pfeffer and his colleagues (Dowling and Pfeffer, 1975, Pfeffer and Salancik, 1978; Pfeffer, 1981; see also Ashforth and Gibbs, 1990 and Jones, 1996, for similar arguments). This view is in contrast with to the arguments depicting legitimacy “not as an operational resource, but as a set of *constitutive beliefs*”, where “cultural definitions determine how the organization is built, how it is run, and, simultaneously, how it is understood and evaluated” and where “*legitimacy* and *institutionalisation* are virtually synonymous” (Suchman, 1995, p. 576, emphasis in original).

LT, therefore, appears to have at least two main variants (Gray *et al.*, 1996). The first one, consistent with Lindblom's (1993) definition, tends to be concerned with the legitimacy of individual organisations – Organisational Legitimacy (OL) – and is the focus of this study. The second variant takes a wider perspective and is principally informed by Marxian thinking; thus, it raises questions about the legitimacy of the system as a whole (i.e. capitalism, see works of Weber, 1966 and Habermas, 1973) and would encompass some PE interpretations discussed in the preceding chapter (particularly PE1 and PE3). As Tilling (2004), nevertheless, notes with regard to these approaches to legitimacy, “Normally, given the nature of accounting research, and the questions being considered, the current business environment, including the capital structure, democratic government, etc. can be taken as a given, a static context within which the research is situated” (p. 3). Reference to this alternative view to legitimacy theory is nevertheless made in this study, when it is deemed necessary.

However, Woodward *et al.* (1996), citing Luthans (1985), have also discerned some types of legitimacy which “tend to attach to individuals”, in which case legitimacy “may flow from one’s being designated as the agent or representative of a powerful person or group” (p. 330). Major and Schmader (2001) note concerning the ‘individual legitimacy’ as considering, “whether an individual perceives his or her own outcomes as just or unjust” (p. 180). This LT variant therefore would encompass Campbell’s (2000) arguments concerning CSR as being influenced by those in charge of the organisation. Nevertheless, it is OL which will principally inform the discussion, particularly with regard to the legitimacy of the corporation (similarly to Dowling and Pfeffer, 1975; Pfeffer and Salancik, 1978; Lindblom, 1993), as opposed to that of political institutions (organisations of a governmental nature), where Lindblom (1993, p. 2) considers that, “the concept of legitimacy was originally defined”.

Considering that legitimacy is a resource upon which an organisation is dependent for survival, then all surviving organisations should, to a greater or lesser extent, possess it. Thus, in an attempt to relate organisational legitimacy with, “the context of social performance and the disclosure of such performance” (p. 1), and despite Mathews’ (1993) and Lindblom’s (1993) efforts to counteract arguments which relate legitimacy to economic success and the law, it could be argued that even organisations which do not engage with CSR meet this vital condition. As Woodward *et al.* (1996) contend, at least in some cases, ‘to be economically viable is to be legitimate, at least so far as the owners of the business are concerned’ (p. 332).

Indeed, as KPMG (2008) has revealed, 20% of the largest 250 members of the Global Fortune 500 and the top 100 companies in the 22 surveyed countries (including the UK, the USA, Japan, Germany, France and Australia) do not publish separate CSR reports nor include any CSR information in their ARs¹⁴. Clearly, there are (still?) organisations which do not need to engage with CSR, to ensure their

¹⁴ As the present author has documented elsewhere (Vourvachis, 2005), only 2% of the articles published in the top ten in quality accounting journals (as determined by the Lowe and Locke, 2002, perception study), in the period 2000-2004, negotiate CSR issues. This confirms Mathews’ (1997) acknowledgment of “the lack of acceptance of social and environmental accounting by the accounting profession and by mainstream researchers” (p. 502).

survival and, therefore, they seem to possess sufficient amounts of the legitimacy resource. These organisations, though, need to be considered in a LT framework explaining organisational CSR practice (and non practice).

However, as Deegan (2000) notes, “public expectations have undergone significant change in recent decades” and “profit maximisation *was* perceived to be the optimal measure of corporate performance” (p. 254, emphasis in original). Society now expects business to “make outlays to repair or prevent damage to the physical environment, to ensure the health and safety of consumers, employees, and those who reside in the communities where products are manufactured and wastes are dumped” (Tinker and Neimark, 1987, p. 84, see also O’Dwyer, 1999). As Deegan (2000) concluded, “companies with a poor social and environmental performance record may increasingly find it difficult to obtain the necessary resources and support to continue operations” (p. 254), and thus “organizations that take their legitimacy for granted do so at their own peril” (Perrow, 1970, cited by Asfthorh and Gibbs, 1990, p. 177).

Hence, an increasing number of companies now employ CSR practices. KPMG (2008) has illustrated that in 2008, 79% of the 2,200 surveyed businesses around the world published a stand-alone CSR report, compared to 52% in 2005 and 23% in 2002. However, as O’Donovan (1999) notes, “It is logical to suggest that voluntary environmental disclosures, financial or non-financial, would only be included if management deemed they were of some benefit to the organisation” (p. 64). As Deegan *et al.* further (2002) contend:

Disclosure decisions driven by the desire to be legitimate are not the same as disclosure policies driven by a management view that the community has a right-to-know about certain aspects of an organisation’s operations. One motivation relates to survival, whereas the other motivation relates to responsibility. Arguably, companies that simply react to community concerns are not truly embracing a notion of accountability (p. 334).

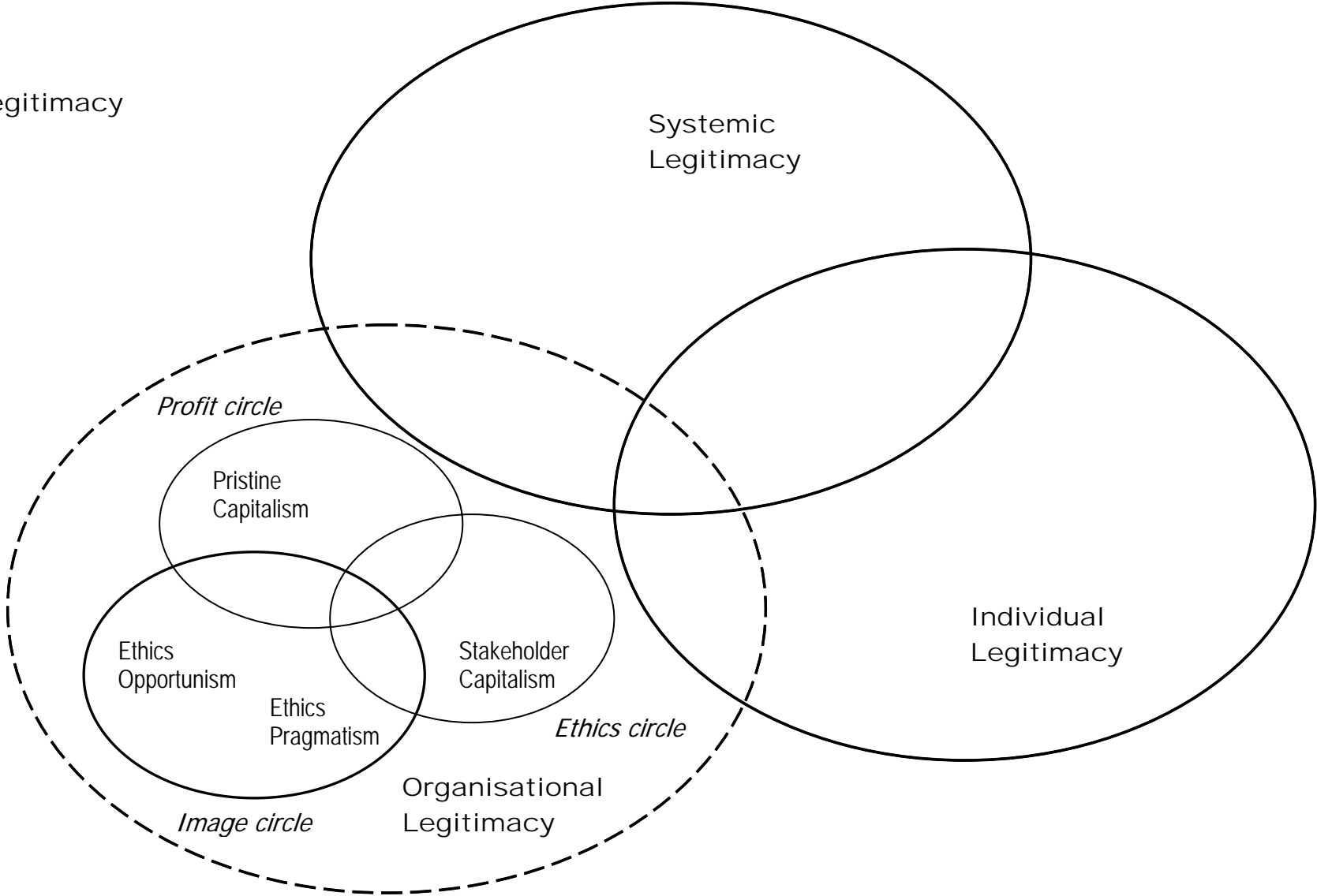
Indeed, organisations themselves seem to admit that ethical reasons (for example, doing the right thing and satisfying the stakeholders’ need for a report on the company social and environmental performance) are not the only factors behind the decision to voluntarily engage with CSR: as the KPMG (2008) survey documents,

concerning the business drivers behind corporate responsibility, almost 68% of companies also state that there are economic reasons, compared to 69% that give ethical reasons. The economic reasons include reputation or brand (55%), risk management (35%), increased shareholder value (29%), improvement in market position (22%) and cost savings (17%).

Two distinct approaches with regard to how OL is perceived among companies which engage with CSR, could therefore be initially identified: the one related to business ethics theories, where organisations are oriented towards social goals, and are even willing to sacrifice some profits and genuinely employ CSR, to satisfy their stakeholders' informational needs and ensure legitimacy for their operations (see, e.g. Carroll, 1979; Hemphill, 1997; Boatright, 2003); and the one where organisations are primarily profit-oriented and view legitimacy as a necessary resource, but which they can strategically impact upon and/or manipulate (Woodward *et al.*, 2001; Deegan, 2002) and, thus, employ CSR to secure, or even improve, their market and economic position by, e.g. improving reputation, gaining additional market share, and/or increasing market size.

These arguments are graphically represented in Figure 4.1. Firstly, three prime 'types' of legitimacy have been identified, according to whether each pertains to organisations (OL), individuals or the system. Naturally, these types are inter-related. For example, people who reject the idea that the existing social system is just and fair might also be more likely to believe that the social position of their group/organisation is unfair, especially if the latter is disadvantaged. They might also be more likely to question the legitimacy of their individual outcomes, "particularly if those outcomes are negative and there are reasons for suspicion" (Major and Schmader, 2001, p.300). Similarly, people who have had personal experiences with unjust treatment may generalise from this experience and come to doubt the legitimacy of their organisation's treatment as well as the legitimacy of the social system more broadly (Major and Schmader, 2001).

Figure 4.1
Types of legitimacy



Then, within OL, three further spectra may be identified with regards to their relationship with CSR¹⁷. In the ‘profit’ circle, strongly profit-oriented organisations may be included, which may ensure legitimacy for their operations without having to engage with CSR (‘pristine capitalists’); whereas, in the ‘ethics’ circle, principally ethics-oriented organisations may be included, that would employ CSR to satisfy the informational needs of *all* their identified stakeholders and discharge their holistic accountabilities (‘stakeholder capitalists’).

In the third circle, some mixed organisational approaches with regard to OL and CSR may be embraced. Here primarily profit-oriented organisations may be included, which would engage with CSR to meet their most powerful stakeholders’ needs (‘ethics pragmatists’), and/or transform their legitimacy requirements into business opportunities and support their economic position (‘ethics opportunists’). Considering that these organisations do not primarily employ CSR to *be* legitimate (in ethical terms) but to *show* they are acting legitimately, this profit *in disguise* area could be described as the ‘image’ circle.

The “intuitive appeal” (Bebbington *et al.*, 2008, p.338) of the image-centred arguments and the similarities of those with LT have led a number of researchers to incorporate this notion when investigating LT propositions and sometimes even to use the terms ‘image’ and ‘legitimacy’ interchangeably (see, e.g. Deegan and Rankin, 1996; Deegan and Gordon, 1996; Deegan *et al.*, 2000; Adams, 2002; Deegan, 2002). Positive image is viewed as a means for firms to defend or maintain their legitimacy and, “social responsibility reporting may contribute to public image and this in turn may lead to greater public acceptance, more identification and avoidance of confrontation such as strikes and boycotts... by reporting social responsibility information companies are showing that they are acting responsibly and that there is no need for further legislation to force them to do so” (Trotman, 1979, p.27). However, the apparent lack of studies attempting to theorise the relationship between LT and image has also recently led Bebbington *et al.* (2008) to research this area. Figure 4.2 summarises their arguments.

¹⁷ Note that because of this tri-nature of OL its circle is in dotted lines.

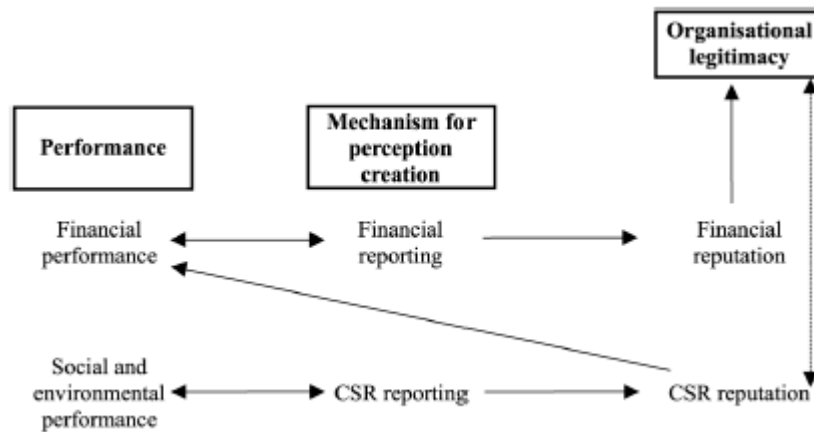


Figure 4.2 CSR, reputation and legitimacy according to Bebbington *et al.* (2008, p. 345)

Bebbington *et al.*'s (2008) arguments are similar to the ones discussed in this chapter. Although they do not discuss the tri-nature of OL as presented here, they implicitly acknowledge the existence of the 'profit' circle by asserting that, perhaps more frequently, organisations are granted legitimacy based on an assessment of their financial performance, whilst CSR "has a second order impact on the legitimacy of the organisation" (p. 345). Additionally, Bebbington *et al.* appear to identify a link between CSR reputation and financial performance, by explaining that "CSR... could be conceived as both an outcome of and part of reputation risk management" (p. 338), and thus acknowledge the possibility of some organisations attempting to capitalise on the increased public demand for CSR. By drawing on Deephouse and Carter (2005), they further stress that image and legitimacy should not be used interchangeably: organisations may take action to improve image in a way that would not relate to legitimacy (e.g. in the aviation industry they could modernise the suits for the air-hostesses); likewise, (e.g. ethics of profit-focused) organisations may be legitimate without necessarily having to be seen as acting legitimately. Bebbington *et al.* nevertheless do not appear to consider that ethics motivations could be compatible with an LT framework; since they focus on OL, they do not refer to the potential existence of systemic or individual factors that could influence OL; and by focusing on reputation management, they do not consider its compatibility with other theoretical arguments in the CSR literature (apart from stakeholder theory),

which are summarised in Table 4.1 (the section where each theory is discussed in chapter 3 is shown in brackets).

The four OL variants (and their compatibility with the theoretical explanations presented in Table 4.1) are discussed in more detail next. It should be noted that these arguments are not clear-cut: there may be situations where, e.g. pristine capitalists engage with CSR to further extend their profitability (but they still do not consider any part of their disclosure as being essential to maintain legitimacy as the image variants would do); or even where stakeholder capitalists are not disclosing CSR, perhaps due to a lower resolution of legitimacy (e.g. size, industry). Additionally, the existence of some organisations operating in the borders or under two or three of these circles (e.g. charities) should be acknowledged. Organisations may also adopt a fluid position and may move between or occupy more than one position at any time (McIntosh *et al.*, 2003). These legitimacy conceptions have informed the following discussion on the OL variants¹⁸.

¹⁸ To paraphrase Woodward *et al.*'s (2001, fn 12) acknowledgment, it would have also been possible to present the concepts contained in the above figure as a simple continuum, moving from 'exclusively profit oriented' at one end to 'exclusively ethics oriented' at the other, thereby suggesting that organisational actions towards CSR need not be driven entirely by any of these explanations, and that companies' behaviour towards CSR is not static.

Table 4.1 The compatibility of the extant theoretical motivations in the literature with the OL framework

Organisational Legitimacy			
<i>Profit Circle</i>	<i>Image circle</i>		<i>Ethics circle</i>
<i>Pristine Capitalism</i>	<i>Ethics Opportunism</i>	<i>Ethics Pragmatism</i>	<i>Stakeholder Capitalism</i>
Social contract theory (3.2.1)	Social contract theory (3.2.1)	Social contract theory (3.2.1)	Social contract theory (3.2.1)
Accountability theory (3.2.2)	Accountability theory (3.2.2)	Accountability theory (3.2.2)	Accountability theory (3.2.2)
Political economy of accounting (PE3) (3.2.4)	Stakeholder theory (3.2.3)	Stakeholder theory (3.2.3)	Stakeholder theory (3.2.3)
Decision usefulness theory (3.4.1)	Political economy of accounting (PE4) (3.2.4)	MAST (3.3.1)	Signalling theory (3.4.2)
	Decision usefulness theory (3.4.1)	Public pressure Theory (3.3.2)	Business ethics theory (3.5)
	Signalling theory (3.4.2)	Institutional theory (3.3.3)	Social-environmental concern (3.5)
	Improved perceptions (3.7)	Signalling theory (3.4.2)	Transparency (3.5)
	Agency theory (3.4.4)	Agency theory (3.4.4)	
	Marketing theory (3.6)	Marketing theory (3.6)	
	Competitive advantage (3.7)	Mimetic motivations (best practice, peer pressure) (3.7)	
	Positive accounting Theory (3.4.3)	Pressure from employees (3.7)	
	Influence regulation (3.7)	Regulation compliance (3.7)	
	Benefits in staff moral and development and in trust (3.7)	Market drivers (pressure from markets, investment ratings) (3.7)	

4.3.1 Profit-centred approaches: the ‘pristine capitalist’

Organisations within the profit circle of LT, “would meet the minimum legal and ethical requirements only... are likely to be strongly profit oriented, perhaps to the exclusion of all other considerations... [and would] conform to the letter of the law, but no more” (Henderson, 1984, p.168). These organisations would not consider CSR as a necessary condition for their survival and, in this sense, they take legitimacy for granted, considering that the social contract would be embedded in law (Zain, 1999). As discussed in section 2.4.1 in respect of CSRes, these organisations may be called pristine capitalists.

For pristine capitalists, accountability is owed only to shareholders, and they would assume that maintaining or extending profitability is all that every possible constituent is interested in. Lindblom (1993) terms this, the ‘fundamentalist approach’, where “it is held that the corporation exists to earn a profit for the owners and, in doing so, makes the appropriate contribution to society” (p. 9). Thus, with regard to their constituents’ potential CSR concerns, organisations in this circle would only seek what Suchman (1995) terms, ‘passive acquiescence’ from their stakeholders for their insignificant employment of CSR and would project their secured profitability to satisfy primarily their existing shareholders and potential investors. As Suchman (1995, p. 575) elaborates:

A[n] ... underacknowledged distinction in studies of legitimacy centers on whether the organization seeks active support or merely passive acquiescence. If an organization simply wants a particular audience to leave it alone, the threshold of legitimation may be quite low. Usually, the organization need only comport with some unproblematic category of social activity (e.g., ‘doing business’). If in contrast, an organization seeks protracted audience intervention (particularly against other entities with competing cadres), the legitimacy demands may be stringent indeed¹⁹.

Considering the principally voluntary nature of CSR and that this study primarily attempts to explore *why*, as opposed to *why not* organisations engage with it – that is, motivations as opposed to de-motivations – it could have been argued that the

19 This active support view seems to be consistent with Ashforth and Gibbs (1990) views on extending legitimacy, where “legitimation activities are apt to be intense and proactive as management attempts to win the confidence and support of wary potential constituents” (p. 182).

pristine capitalist approach cannot contribute significantly further in the analysis. However, there may be significant insights into motivations for CSR to be gained when it is attempted to consider the *why still not* parameter of this pristine capitalist approach (i.e. what would motivate them to engage with CSR); this is particularly interesting, considering the significant recent developments in the CSR field (which according to KPMG [2008] survey findings, have made it seem more as an established mainstream organisational approach, particularly between the more sizeable operations).

Such de-motivations for CSR may include, according to Gray *et al.* (1993), absence of any demand for information; absence of a legal requirement; the problem that the cost would outweigh the benefits; and the possibility that the organization had never considered it. In their survey, Solomon and Lewis (2002) additionally identify as reasons reluctance to report sensitive information; avoidance of providing information to competitors and regulators; possible damage to companies' reputation; general lack of awareness of environmental issues; inability to gather information; lack of awareness of competitive advantage; companies belief that they, for example, have no impact on the environment; insufficient response/feedback from stakeholders; and concern that users may not understand the information.

The lack of regulation as a de-motivator for CSR is particularly evident in the case of Small and Medium Enterprises (SMEs). SMEs tend to view direct legislative action as the only way to ensure that businesses change their orientation towards environmental issues (Baylis *et al.*, 1998; Hillary, 1995; Tilley, 2000; Revell and Blackburn, 2007). Owner-managers typically feel that it is up to the government to take the lead on environmental issues by creating a 'level playing field' via regulation. This perception of parity helps business owners to feel they are safeguarded against 'free riders', who might avoid costly environmental measures and thus gain competitive advantage (Revell and Blackburn, 2007). Hunt (2000) has further found that small firms see regulation as providing a clear signal of what their environmental responsibilities are. As Revel and Blackburn (2007) conclude, "In fact, if it is not regulated, then owner-managers often assume that there is no environmental problem" (p.408).

4.3.2. Ethics-centred approaches: the ‘stakeholder capitalist’

Within the ethics circle organisations are principally ethics-oriented and are expected to employ CSR in large amounts to satisfy *all* their identified stakeholders’ informational needs, taking a holistic accountability approach. This variant is closely related to business ethics perspectives, as discussed above under heading 3.5. As the KPMG (2008) survey reports, 69% of the surveyed companies reported that their responsibility behaviour is motivated by ethics, values and codes of conduct guiding their business operations. However, as the following section on the ‘image’ centred approaches illustrates, corporations’ *reported* ethics orientations may not reflect their *actual* motivations.

It would be expected from ethics-oriented companies to be committed to sustainable development. Considering that these organisations would presume that being transparent and operating in a socially and environmentally responsible way would be the necessary means to insure their long-term preservation (Gladwin *et al.*, 1995), then providing an account of their social and environmental performance to all their constituents, may thus be considered a prerequisite for securing sufficient quantities of the legitimacy resource; this contradicts the arguments for profit maximisation as being the sole legitimacy criterion, as the pristine capitalist approach, prescribed in the preceding section, would propose.

At this point, it should be clarified that not all of the organisations engaging with CSR because it is the ‘right thing to do’ also perceive this to be a necessary condition for their legitimacy. That is, ethically motivated organisations would not necessarily consider reporting on all their social and environmental responsibilities a necessary requirement of the social contract, *as it stands*, although some of them would. Such organisations would be internally motivated towards CSR but would also be responsive to their constituents’ needs. In an attempt to ‘do the right thing’ and discharge their wider accountabilities, these organisations would be expected to provide increased and substantive CSR information year after year, and thus attempt to extend their legitimacy and ask for ‘active support’ (Suchman, 1995) from their constituents, in order to increase pressures on other organisations and raise the

overall benefit and stability of the community of which they are part (Bovet, 1994; Libert, 1996; Matten and Crane, 2005; Moon *et al.*, 2005).

Organisations in this circle are therefore expected to embrace Epstein's (1987) definition of CSRes (reviewed in section 2.4.2) and could be also referred to as 'stakeholder capitalists'.

4.3.3 Image-centred approaches: the 'ethics pragmatist'

As Deegan and Unerman (2006, fn 9, p. 302) have noted, "managing legitimacy is very much about managing the perceptions of others" (see also e.g. Bowman, 1976; Abrahamson and Park, 1994; Buhr, 1998). Two types of organisational approaches with regards to strategic (non-ethical) employment of CSR can be identified: ethics pragmatists and ethics opportunists. This section discusses the ethics pragmatist approach; the ethics opportunist approach is the focus of discussion in the following section.

Ethics pragmatists would be primarily concerned with image building (see section 3.6 for image-supporting evidence), but only to the degree of ensuring that they possess adequate supplies of the legitimacy resource, to maintain profitability and long term survival (Bansal and Roth, 2000; Aguilera *et al.*, 2004; Bansal, 2005). Their objective would be to maintain their position in the industry and the referent community and they would employ legitimization strategies in order for the environmental-related actions not to negatively affect the firm's operations (Dillard *et al.*, 2005). Therefore, their primary focus would be in preserving their legal and social licence to practice by meeting regulatory requirements and providing no compelling socially or environmentally related reasons to deny the firm operating rights (Henriques and Sadorsky, 1999; Bansal and Roth, 2000).

Considering that organisations of this type do not have an ethical motivation towards CSR, they may possibly attempt to "manipulate perceptions and disguise the truth" (Lindblom, 1993, p 19), and they may "prefer to offer symbolic assurances rather than substantive action" (Ashforth and Gibbs, 1990, p. 182) to their critical

stakeholders. However, in this type of approach the companies' primary concern would be to balance their diverse primary stakeholders' needs to maintain legitimacy for their operations; thus, these organisations would be driven from the external pressures of their stakeholders towards CSR (and would adopt a 'pull' strategy towards corporate citizenship, according to the arguments espoused by Parkel, 1991 and Mirvis and Googins, 2006).

Ethics pragmatists would remain concerned about survival issues and profit margins, but they would project to their constituents that this is, "more in the context of profits AND environmental sensitivity"²⁰ (Henderson, 1984, p. 170). Therefore, and similarly to the pristine capitalist approach, ethics pragmatists would also seek 'passive acquiescence', as Suchman (1995) defines it, from their constituents with regard to CSR, implying that the organisation would just want the "particular audience to leave it alone" (Suchman, 1995, p. 575) rather than seeking active support.

However, as discussed in chapter 3 and illustrated in Table 4.1, the ethics pragmatist organisational behaviour towards CSR is also consistent with all the theoretical frameworks employed to explain CSR practice that were found to be compatible with a social contract view of the organisations-society relationship, and implies an organisational CSRes3 position. Evidently public pressure theory and image theory are directly involved in these arguments; MAST may also be applicable as a factor shaping stakeholders' expectations (Brown and Deegan, 1998) or even as a stakeholder itself. And institutional theory arguments are also consistent with this variant of the framework, in the sense that organisations would perceive CSR as a pragmatic necessity to conform to institutionalised pressures and maintain legitimacy.

²⁰ But, note that this would be more of a *projected* rather than *actual* interest. In practice, all corporate organisations, including the stakeholder capitalists, should be interested in seeking at least enough profit to maintain their survival and satisfy their owners; however, only stakeholder capitalists would be actually interested in satisfying all their stakeholders' needs.

4.3.4 Image-centred approaches: the ‘ethics opportunist’

Having considered the ethics pragmatists, this section discusses the second type of organisational approach with regards to the strategic (non-ethical) employment of CSR: the ethics opportunists²¹. Whilst for ethics pragmatists CSR is expected to contribute towards maintaining legitimacy, ethics opportunists, having secured sufficient legitimacy to maintain operations, employ CSR in an attempt to extend their legitimacy to improve their market and economic position (Hart, 1995; Bansal and Roth, 2000; Dillard *et al.*, 2005)²². Ethics opportunists would still be concerned with image building; would still acknowledge the necessity of providing an account to their primary stakeholders, when deemed necessary, to maintain legitimacy; and would still tend to offer symbolic assurances rather than substantive action (Pfeffer, 1981). However, compared to the ethics pragmatists, the opportunists would be more likely to attempt to manipulate selected stakeholders’ perceptions’ (Lindblom, 1993) and use ARs “as a means of advertising their social responsibility” (Adams *et al.*, 1998, p. 17) with the main purpose being to extend their legitimacy and improve their economic position (Hart, 1995; Bansal and Roth, 2000; Dillard *et al.*, 2005; Vogel, 2005). Organisations adopting ethics opportunist approaches to CSR, would thus be expected to embrace CSRes⁴ and Drucker’s (1984) view on CSRes, discussed in section 2.3, whereby the organisational focus is on turning social problems into economic opportunities and benefits.

Ethics opportunists would, further, be internally driven towards CSRes and CSR. Rather than seeking passive acquiescence, ethics opportunists would be expected to seek active support from their constituents, with regard to their legitimacy and CSR (Suchman, 1995), and adopt intense legitimation activities (thus, employing CSR in

²¹ This pragmatism vs. opportunism ethics distinction is largely consistent with the ritualism vs. opportunism distinction with regard to corporate financial disclosure proposed by Gibbins *et al.* (1990). For these authors, “The ritualistic dimension of the firm’s disclosure position is described as a propensity toward uncritical adherence to prescribed norms for the measurement and disclosure of financial information... [whereas] In contrast to ritualism, the opportunistic dimension of a firm’s disclosure position is the propensity to seek firm *specific advantage* in the disclosure of financial information. Like ritualism, opportunism is a managerial predisposition to behave in a particular way, but through *active* stances in which disclosures are seen as *opportunities* to reap specific *benefits* by managing the disclosure process” (p.130, emphasis added).

²² See also Mirvis and Googins’ (2006) similar arguments on how in corporate citizenship approaches the intent may vary from obtaining a ‘license to operate’ in an engagement stage, to making a ‘business case’ and ‘market creation’ (p. 108), in more innovative stages.

more than the required amounts from the social contract) “to win the confidence and support of wary potential constituents” (Ashforth and Gibbs, 1990, p. 182). A further example of such an activity (i.e. apart from intense CSR employment), may also be engagement with strategic philanthropy²³ (Hemphill, 1999, 2004). These activities may in turn assist companies, as Clikeman (2004) notes, in “attracting ‘patient’ shareholders and enhancing the firm’s reputation and brand value... reduce stock price volatility... make... a brand name and affect share prices... enhance their reputations, which leads to greater financial value” (p. 25), and further, “Implement a competitive advantage environmental strategy...[which is] a tool for improving profitability... establish new markets, gain additional market share, and/or increase market size though... increased customer loyalty” (Dillard *et al.*, 2005, p. 86; see also Smith, 2003; Kusu and Zarkada-Fraser, 2004; Mirvis and Googins, 2006, for similar arguments). Indeed, as one of O’Dwyer’s (1999) interviewees commented, and unintentionally summarised these arguments: “Companies do have social responsibilities, but they have to be managed in order to benefit the company” (p. 320).

It should be noted that organisational size appears to be a major factor influencing these arguments. SMEs, for example, appear to have a negative perception of the ‘business case’ for sustainability, with one of the major potential barriers being the perception that environmental measures are a drain on profits (Revell and Blackburn, 2007). In contrast, KPMG (2008) find that 68% of large corporations engage with CSR for the perceived associated economic benefits. Even within SMEs, though, it appears that environmental measures are better perceived from, for example, medium sized as opposed to small firms (Revell and Blackburn, 2007).

Nevertheless, this ‘ethics opportunist’ legitimacy variant may also incorporate the theoretical arguments that were found to be compatible with social contract theory and were implying an organisational opportunistic position towards CSRes. Thus,

²³ As Hemphill (2004) notes, strategic philanthropy by definition “involves corporate giving that serves a dual purpose: contributing needed funds and other resources to charitable causes needed in the community (often involving employees) while simultaneously benefiting the firm’s bottom line” (pp. 340 – 341). Hemphill (2004) goes on to note that “Often funding for these initiatives not only emanates from philanthropy budgets but also from business units, such as marketing and human resources” and that “strategic philanthropy, has evolved into an integral part of a firm’s competitive strategy” (p. 341).

from a PE4 perspective, CSR may “serve as a tool for constructing, sustaining, and legitimizing economic and political arrangements, institutions, and ideological themes which contribute to the corporation’s private interests” (Guthrie and Parker, 1990, p. 166); similarly, from a decision making theory perspective, CSR would be an opportunistic attempt to enhance corporate image or reputation (Gray *et al.*, 1988) and ultimately profitability; and from a PA perspective, CSR may also be seen as an opportunistic attempt by an organisation “to minimize reported earnings... reduce the likelihood of adverse political actions and, thereby, reduce its expected costs” (Watts and Zimmerman, 1986, p. 115). Additionally, this variant would encompass arguments perceiving CSR as an attempt to gain competitive advantage, achieve business efficiencies and influence regulation, as Table 4.1 demonstrates.

4.4 Organisational legitimacy management

Following the presentation of the OL variants, the discussion now moves on to reviewing how organisations manage their legitimacy. Companies try to manage their legitimacy because it:

helps to ensure the continued inflow of capital, labour and customers necessary for viability... It also forestalls regulatory activities by the state that might occur in the absence of legitimacy... and pre-empts product boycotts or other disruptive actions by external parties... By mitigating these potential problems, organisational legitimacy provides managers with a degree of autonomy to decide *how* and *where* business will be conducted (Neu *et al.*, 1998, p. 265, emphasis in original).

The above position presumes that organisations operate in an environment in which they are continually monitored by a number of relevant publics and are sensitive to their demands. As Lindblom (1993) notes:

Failure to do so could, at an extreme, result in a breakdown of the consensus they must maintain to continue to operate in their current environment. Corporations will, therefore, engage in legitimization strategies when they perceive a significant legitimacy gap exists (p. 18).

Thus organisations also engage in legitimation strategies to forestall negative impacts on their activities from potential legitimacy threats. Probably, the most frequently cited definition of legitimacy threat comes from Dowling and Pfeffer (1975). As these authors contend, organisations seek to establish congruence between their own activities and the norms of acceptable behaviour in the larger social system of which they are a part:

Insofar as these two value systems are congruent we can speak of organizational legitimacy. When an actual or potential disparity exists between the two value systems, there will exist a threat to organizational legitimacy (p. 122).

Thus, following the existence of a threat, organisations are expected, “in the interests of ongoing operations [to] undertake corrective action” (Deegan *et al.*, 2000, p. 105) and employ CSR as part of a strategy to defend their legitimacy. This section focuses on the course of action that companies may take to manage their legitimacy and forestall potential threats. Firstly, a review of the legitimation strategies that ethics or image-oriented organisations may adopt is provided. This is followed by discussions on the symbolic vs. substantive and positive vs. negative distinctions of CSR and their potential employment in legitimation strategies. Then, the discussion moves to reviewing the extant literature on legitimacy threats. Finally, a summary of the potential legitimation strategies with regard to each OL variant is provided and the propositions of the study are presented.

4.4.1 Legitimation strategies

As discussed above, companies may employ a number of legitimation strategies, in an attempt to ensure adequate levels of the legitimacy resource for their operations. Parsons (1960, p. 175) defines legitimation as, “appraisal of action in terms of shared or common values in the context of the involvement of the action in the social system”. In a more organisational-centred attempt, Maurer (1971, p. 361) defines legitimation as, “the process whereby an organisation justifies to a peer or superordinate system its right to exist”.

The legitimization strategies that companies employ may be either strategically (opportunistic or pragmatic) or ethically-oriented. Patten (1992), for example, has argued that companies will exercise their power in the public policy arena by attempting to influence social concern via disclosure. This proactive, more strategic and potentially opportunistic stance, suggests that if corporations can influence policy then they may possess an undemocratic concentration of power and influence (Zain, 1999). Guthrie and Parker (1989), on the other hand, suggest the organisations' aim is to demonstrate congruence between the social values inherent (or implied) in their activities and societal norms, and thus, if a company reacts to demand for disclosure, it can be perceived as having less power or influence than that held by the public policy arena. This reveals a more pragmatic and potentially ethical organisational approach to LT and CSR.

Thus the aim of this section is to review the legitimization strategies in the extant literature and relate those to the preceding discussion and the identified LT variants. More specifically, the studies by Lindblom (1993), Perrow (1970) and O'Donovan (2002a) are discussed. Lindblom (1993) in her seminal and strangely unpublished paper (Parker, 2005), has offered four legitimization strategies:

1. Bridging the output, methods, and goals into conformity with popular views of what is appropriate. "Under this alternative the corporation is making internal adjustments to close the legitimacy gap" (Lindblom, 1993, p. 13).
2. Making no adjustment in organisational output, methods and goals but, rather, attempting to change perceptions. Thus, the organisation may attempt, "to demonstrate the appropriateness of the output, methods, and goals to the public through education and information" (p. 14).
3. Distract attention away from the issue of concern: "Identifying organizational output, methods, and goals with the popular perception of what is appropriate without any attempt at actual conformity. Under this alternative business performance does not change nor do societal expectations. Instead the corporation attempts to associate itself with symbols having high legitimate status" (p. 15).
4. "Not making an internal adjustment to close the legitimacy gap but, rather, seeks an adjustment in societal expectations. In this situation corporate social

disclosure would be directed toward bridging the relevant publics' expectations in line with corporate output, methods, or goals" (p. 16).

As Lindblom (1993) concluded when presenting these strategies: "Corporate social disclosure may be intended to inform and educate - it also may be intended to manipulate perceptions and disguise the truth" (p. 19). Clearly, an organisation with a stakeholder capitalism orientation would only employ strategy 1, whereas the image-oriented variants would be inclined to employ strategies 2-4, either because they are powerful enough to do so, or because it will be cheaper for them to engage with these strategies than to change their actual performance. However, even these organisations may engage with strategy 1 if they have difficulties in employing any (or all) of strategies 2-4 (e.g. their relevant publics are not easily 'educated' or their attention cannot be easily distracted from the issue of concern, perhaps because of the latter's magnitude); or if they realise that employing strategies 2 to 4 is simply not enough for them in order to achieve the required legitimacy levels.

Perrow (1970) was one of the first to point out that legitimacy is problematic for organisations, and it is likely that organisations take actions to ensure their continued legitimacy. He offered three legitimisation strategies, most of which have evidently informed Lindblom's (1993) discussion:

1. The organisation can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy
2. The organisation can attempt, through, communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output and values
3. The organisation can attempt, again through communication, to become identified with symbols, values, or institutions which have a strong base of social legitimacy

Clearly Perrow's (1970) strategy 1 is identical to Lindblom's (1993) strategy 1, and it is what one would expect mostly from ethics-oriented organisations. Perrow's strategy 2 is similar to strategy 4 of Lindblom, where organisations, instead of changing actual performance, attempt to change societal expectations, a strategy

which possibly implies quite powerful organisations. Perrow's strategy 3 is similar to Lindblom's 3, where organisations attempt to distract attention away from the issue of concern and, "the use of CSD is oriented toward manipulating the perceptions of the relevant publics rather than toward educating and informing them" (Lindblom, 1993, p. 15); this strategy seems to be also closely related to institutional theory and the expectation for isomorphism.

O'Donovan (2002a) has also offered some legitimisation strategies. These appear to be heavily reliant upon Lindblom's (or Perrow's) earlier formulation (Woodward *et al.*, 2008) and appear to have more clearly illustrated the main alternatives in legitimisation strategies that organisations may adopt; these are presented in Table 4.2.

Table 4.2 Possible response/ tactics to legitimacy threats

Response/tactic	Sample tactics: oil company involved in a significant oil spill causing environmental damage
A. Avoid	(a) Do not enter public debate on the effects or aftermath of the oil spill; (b) Do not publicise what may be perceived as negative information
B. Attempt to alter social values	Educate the public on the risks associated with transporting oil and the positive uses of oil with respect to standard of living measures
C. Attempt to shape perceptions of the organisation	(a) Reiterate past social and environmental achievements of the company; (b) Indicate the company did not breach any current legislative guidelines for transporting oil
D. Conform to conferring publics' values	Announce an immediate inquiry into the cause of the spill and assure the public that any measures necessary to ensure this type of accident does not happen again will be undertaken.

Source: O'Donovan (2002a, p. 348)

Again, O'Donovan's (2002a) strategy D is similar to strategies 1 of both Lindblom (1993) and Perrow (1970) and the same holds for his strategy B (equivalent to Lindblom's 4 and Perrow's 2). O'Donovan's strategy C seems to be more closely related to Lindblom's no 2 strategy, although one could possibly argue that it is also related to Lindblom's and Perrow's 3 strategies; in the end, organisations' attempts

to associate themselves with symbols, without changing performance, seem also to be a ‘perceptions’ game’ (see e.g. Deegan and Unerman, 2006). O’Donovan’s interesting contribution is his strategy A. Such a strategy would only be expected from either powerful organisations, that have saved enough quantities of the legitimacy source and may occasionally take this course of action; or by organisations that, simply, feel that they do not need, for example, CSR to maintain operations. This may, at first sight, be a sign of a pristine capitalist approach; however, this strategy may also be employed by stakeholder capitalists that engage with CSR because they feel it is the right thing to do but they do not find this to be a condition for their legitimacy. O’Donovan’s strategies thus, seem to have summarised all the main organisational alternatives to legitimisation strategies. Having discussed these, the discussion can now move on to the types of CSR, symbolic or substantive and positive or negative, that organisation may employ as part of their strategies.

4.4.2 Substantive or symbolic CSR

The distinction between substantive vs. symbolic legitimisation has been brought forward by Pfeffer and colleagues (Pfeffer and Salancik, 1978; Pfeffer, 1981, see also Richardson, 1985; Ashforth and Gibbs, 1990) but has not been employed widely in a CSR context (but see Savage *et al.*, 2000; Day and Woodward, 2004). Substantive legitimisation is evident in the works of Rousseau and Habermas and involves, “real, material change to organizational goals, structures and processes, or in socially institutionalized practices” (Savage *et al.*, 2000, p. 48). Symbolic legitimisation, on the other hand, traces its roots to the work of Marx and Weber; it involves, “the symbolic transformation of the identity or meaning of acts to conform to social values” and is predicated on the proposal that “the acceptance of authority resides in the *belief* in the legitimacy of the order independently of the validity of that order” (Richardson, 1985, p. 143, emphasis in original).

In symbolic legitimisation, “rather than actually change its ways, the organization might simply portray – or symbolically manage – them to *appear* consistent with social values and expectations. Symbolic management, in short, transforms the

meaning of acts” (Ashforth and Gibbs, 1990, p. 180, emphasis in original). For example, organisations may formulate and publicise ethics policies, but not establish procedures for monitoring compliance or imposing sanctions (Bowman and Haire, 1976; Nystrom and Starbuck, 1984; Moscovitz and Byrne, 1985).

Organisations may prefer symbolic legitimation and not ‘real, material change’ because of their general desire to avoid assessments. As Pfeffer (1981), providing some supportive evidence for Meyer and Rowan (1977), has stated: “One of the interesting aspects of many organizations is the efforts undertaken to systematically avoid assessment, especially of outcomes that are of potential interest to various groups or individuals in contact with the organization” (p. 29). Weisul (2002) has further noted that companies do not like hard-and-fast standards; she concluded that reporting such as GRI sets expectations and such reports can hold companies accountable, which some may fear.

However, organisations may also prefer symbolic legitimation because it is just much cheaper than the substantive alternative and because, therefore, “the former usually preserves flexibility and resources” (Ashforth and Gibbs, 1990, p. 182). As Neu *et al.* (1998) point out, “it is often easier to manage one’s image through *communication* than through changing one’s output, goals and methods of operations” (p. 267, emphasis in original). Resource dependence theory would suggest that, generally, the greater the power, motivation, and political skill of the constituent, and the more consistent the constituent’s preferences are with those of other key constituents and with management’s own agenda, the more likely management is to offer a substantive rather than symbolic response (Pfeffer and Salancik, 1978; Ashforth and Gibbs, 1990).

Clearly, symbolic legitimation is consistent with Lindblom’s (1993) and Perrow’s (1970) strategies 3 and, largely, O’Donovan’s (2002) strategy C, and should be expected mainly from the image-centred variants (pragmatists and opportunists); whereas ethics-oriented organisations would be expected to be willing to bear the costs and employ substantive legitimation. However, in case of a major legitimacy threat, even the image-centred variants would be expected to (possibly) take some

substantive legitimation action if it is deemed necessary to strengthen their weak image or even in an attempt to alter social values (O'Donovan's strategy B).

4.4.3 Positive or negative CSR

A number of large-sample studies have revealed that managers "attribute negative organizational outcomes to uncontrollable environmental causes and positive outcomes to their own actions" (Abrahamson and Park, 1994, p. 1302, a justification supported by Bowman, 1976; Bettman and Weitz, 1983; Staw *et al.*, 1983; Salancik and Meindl, 1984). Pfeffer (1981) suggests organisations would be expected to adopt strategies involving "the selective release of information which is... defined along criteria more favorable to the organization... measured along criteria which are more readily controlled by the organization, and... acceptable to those interested in the organization" (p. 30).

Indeed, there seem to be a number of CSR studies that have shown that companies predominantly disclose information of a positive nature (see, e.g. Guthrie and Parker, 1989; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Brown and Deegan, 1998; Deegan *et al.*, 2000; 2002; Woodward *et al.*, 2008). Further, companies have also been found to conceal from the public information of negative nature; for example, Abrahamson and Park's (1994) evidence supports the contention that negative outcomes "concealment by officers and... [their] toleration by outside directors may be intentional" (p. 1302). Pfeffer (1981) further claimed that corporate officers can avoid assessments by, "keeping secret the information that might be necessary or useful for evaluating organizational results" (p. 30), whereas, Whetten (1980) stated that, "in some cases business managers deliberately hide negative financial data so as not to alarm stockholders and bankers" (p. 162) (this may also be attributed to information asymmetry and signalling theories).

Therefore, a number of image-oriented organisations would be expected to employ positive CSR to improve their image; however, these organisations may also employ negative CSR by, for example, offering apologies and admitting guilt, to create the impression of honesty. Further, ethics-oriented organisations are also expected to

increasingly disclose positive CSR, by simply offering accounts of their (as expected, positive) actions with regard to CSRes. There seem to be, therefore, a number of drawbacks when one attempts to employ the positive-negative CSD distinction *per se* in CSR analysis.

Some of these limitations seem to be resolved when CSR authors employ this distinction when investigating legitimacy threats (see e.g. Deegan and Rankin, 1996; Deegan *et al.*, 2000; Woodward *et al.*, 2008). Deegan and Gordon (1996), for example, have concluded that their results, “provide strong support for the contention that firms will disclose ‘positive’ news, but will suppress ‘negative’ news” (p. 190). Attempts, for example, at denial and concealment are clear signs of a more image – rather than ethics – oriented approach, and managers may prefer to adopt this strategy if they consider that, “the benefits from appearing to be objective are more than offset by potential negative effects that may result from the disclosure of negative information” (Deegan and Gordon, 1996, p. 190). It should be acknowledged, though, that negative CSD can still not be easily attributed to image- or ethics- oriented variants.

4.4.4 Extending, maintaining or defending legitimacy

The intensity and mix of legitimation practices, “are likely to vary according to whether management is attempting to extend, maintain, or defend the organization’s legitimacy” (Ashforth and Gibbs, 1990, p. 182). The specific ‘mode’ into which organisations fit, is subject to how they (implicitly) perceive their legitimacy (Tilling, 2004). Table 4.3 highlights the key differences of those ‘modes’:

Table 4.3 Key differences in legitimization as function of the purpose of legitimization

	Purpose of Legitimation		
	To Extend Legitimacy	To Maintain Legitimacy	To Defend Legitimacy
Legitimacy	Problematic	Non-problematic	Problematic
Constituent scrutiny	High	Low	High
Intensity of legitimization activities	High	Low	High
Mix of legitimization activities	Proactive: Substantive and symbolic	Routinized: Substantive and symbolic	Reactive: Primarily symbolic (at least in short-run)

Source: Ashforth and Gibbs, 1990, p. 182.

Attempts to *extend* legitimacy would be generally expected to occur when the organisations are becoming established, or are entering a new domain or activity, or are utilising new structures or processes (Ashforth and Gibbs, 1990). When establishing legitimacy, organisations must be extremely conscious of potential conflicts with the expectations of significant stakeholders (Tilling, 2004); in respect to CSR, it would also be expected that the required levels would be heavily reliant on the industry, the size of the organisation, the specific characteristics of the labour force and the local communities, etc. Even when organisations wish to enter new markets or change the way they relate to their current market, though, this can give rise to extend legitimacy, which would require specific management (Tilling, 2004).

Considering they can manipulate the legitimacy resource though (Deegan, 2002), as discussed earlier in section 4.3.4, ethics opportunists may also attempt to extend their legitimacy to improve their market and economic position (Aguilera *et al.*, 2004; Dillard *et al.*, 2005). In this case, organisations would tend to offer more symbolic assurances rather than substantive action (Ashforth and Gibbs, 1990); however, organisations may also employ some substantive strategies (primarily role performance – for example, measure their social and environmental performance and

take action to improve it), if they consider that this can contribute towards extending their legitimacy and, subsequently, their economic benefits, “to win the confidence and support of wary potential constituents” (p. 182). Moreover, stakeholder capitalists would also be expected to take proactive CSR stances and attempt to extend their legitimacy, in order to raise the overall benefit and stability of the community of which they are part (Libert, 1996).

Attempts to *maintain* legitimacy occur, “when the organization has attained a threshold of endorsement sufficient for ongoing activity” (Ashforth and Gibbs, 1990, p. 183). This is the mode that most organisations would generally expect to be operating in, where their activities would mainly include on-going role performance and attempts to anticipate and prevent, or forestall, potential challenges to legitimacy (Tilling, 2004). This is also the mode that the pristine capitalists and the ethics pragmatists would be expected to operate in; the ethics pragmatists would attempt to monitor the expectations of their critical stakeholders and the pristine capitalists would be aiming at maintaining profitability, their only CSRes. Organisations in this mode would be expected to engage with a number of substantive and symbolic strategies and increasingly routinised ‘business-as-usual’ activities (Ashforth and Gibbs, 1990); this may involve letters to shareholders, institutional advertising, charitable donations, plant openings and other ‘warm signals’ (p.183) and potentially stakeholder dialogue.

However, the maintenance of legitimacy is not as easy as it may at first appear, considering that legitimacy is a dynamic construct and often challenges can occur (Tilling, 2004). Organisations then would be expected to operate in a *defending* legitimacy mode. In general, “attempts to defend occur when the organization’s extant legitimacy is threatened or challenged. Legitimation activities tend to be intense and reactive as management attempts to counter the threat” (Ashforth and Gibbs, p. 183).

Ashforth and Gibbs (1990) further note that, “compared to the extension of legitimacy, where the intensity of activity is also high, the defence of legitimacy is apt to involve a greater proportion of symbolic activities” (p. 183), due to that, for example, “the challenge catches management off-guard, it leaves little time to plan

and execute a substantive response” (p. 184). Earlier discussion (section 4.3.2), though, supported the view that this should only be the case for the image-oriented variants and that, on the contrary, stakeholder capitalists would be expected to engage in substantive activities; this would assist in satisfying their stakeholders and avoiding exacerbating the threat, as the adoption of purely symbolic responses would entail – what has been referred to as ‘the double edge of legitimation’ (Ashforth and Gibbs, 1990).

Nevertheless, even the ethical variants would be expected, in response to a threat, to increase their symbolic legitimation activities, albeit to a lesser extent than the image-oriented ones: for example, in the case of an accident, rather than offering accounts and apologies and engaging in ceremonial conformity (symbolic action, expected from image-oriented variants), stakeholder capitalists would conduct an investigation and realise what was wrong on the part of the organisation (substantive action); then admit guilt and develop new policies (symbolic action); and then invest in new safety mechanisms (substantive action).

It is this last mode that has tended to be the main focus of accounting researchers, since it also offers a clear opportunity to examine the crucial link between legitimacy and resources (Tilling, 2004). The present research also focuses on investigating legitimacy threats and their potential effect on the organisational levels of CSR. However, considering the study’s longitudinal time-span, the rest of the modes are considered as well.

4.4.5 Investigating legitimacy threats

For the purposes of this research, corporate disclosure reactions to some major legitimacy threats in the form of accidents are investigated. Accidents can be defined as, “discrete one-time undesirable or unfortunate events that happen unexpectedly in the life of a corporation and cause damage to any number or kind of stakeholders” (Zyglidopoulos, 2001, p. 420). In a world characterised by what Kiely (1983, p. xi, cited in Zyglidopoulos, 2001, p. 421) called ‘the instant and photographic reporting of calamity’, some accidents can receive such an extensive amount of media

coverage that they could become landmarks in the history of a particular industry (p.421). This is expected to particularly be the case with accidents in the transport industry (Woodward *et al.*, 2008), because ‘they provide the permanently starved news media with graphic photographs that can improve their ratings’ (Zyglidopoulos, 2001, p. 421).

Despite the fact that CSR has been a topic of interest within the accounting profession for a number of years (Tilt, 2003), few studies have examined how such external events impact upon the provision of such disclosures (but see Patten, 1992; Walden and Schwartz, 1997, Deegan and Rankin, 1996; Deegan *et al.*, 2000; Woodward *et al.*, 2008; Cho, 2009), even though these types of research may be ‘very productive in terms of adding insight into the role of legitimization strategies’ (Lindblom, 1993, p. 20). All these studies have employed an LT-based perspective, which would be more closely associated to the arguments identified here as ‘ethics pragmatism’. The Patten (1992) and Walden and Schwartz (1997) studies both examined the effects of the Exxon Valdez oil spill on environmental disclosure in the ARs of selected American industries: the oil industry for Patten (1992); and oil, consumer products, chemical, and forest products industries for Walden and Schwartz (1997), and they both found that the levels of environmental disclosure increased significantly in the year following the accident.

On the other hand, Deegan and Rankin (1996), Deegan *et al.* (2000), Woodward *et al.* (2008) and Cho (2009), have all attempted to examine the reactions of specific companies to legitimacy threats to which they were directly exposed: Deegan and Rankin (1996) examined the variations on the AR environmental disclosures of 20 Australian companies that had breached the environmental law; Deegan *et al.* (2000) examined the variations in the AR levels of CSR of five Australian companies in response to some major incidents that related to them, such as oil spills and mine and plant disasters; Cho (2009) examined variations in the levels of environmental disclosure in a single company’s (the French Total) Annual and stand-alone reports, following involvement in an oil spill and a subsequent gas explosion, and also conducted interviews; and in a study more relevant to the present one, Woodward *et al.* (2008) examined the CSR reaction of companies involved in three major transport accidents in the UK: the King Cross Underground fire in 1987; the Paddington Rail

disaster of 1999; and the Concorde crash outside Paris in 2000. All these studies findings' lend support to the 'pragmatic' LT arguments that the corporations sought to address the legitimacy threat by increasing their disclosure of environmental and/or CSR information.

There are, however, a number of limitations to the existing research evidence examining legitimacy threats. Studies seem to have focused on examining companies operating within a single country (USA, Australia and UK) and mostly the oil industry (with the exception of Woodward *et al.*); on employing only ARs for primary data; and on utilising only CA to analyse their collected data (with the exception of Cho); on considering only the positive/negative CSD distinction; and on employing strictly LT to interpret their findings, without considering alternative frameworks. Thus, there seems to be an absence of a study, to date, investigating companies from more than one country and in an alternative to the oil industry; utilising also stand-alone reports; examining longitudinal cases, with companies with possibly more than one legitimacy threat; considering alternative theoretical frameworks; and also employing qualitative analysis, in addition to quantitative CA. And as the next chapter illustrates, the present study attempts to contribute to this literature. Firstly however, the potential role of the media in these threats needs to be clarified.

4.4.6 Summary

Legitimacy management views of each identified OL variant are summarised and presented in table 4.4 below. In general, pristine capitalists are expected to have a clear profit orientation and only disclose as much CSR as is required by law. However, following a threat, this variant may also consider disclosing some information on their CSRes. Alternatively, they may move straight to the ethics opportunism position and start employing CSR to increase their profitability through securing more supplies of the legitimacy resource. These organisations would primarily be interested in satisfying their investors and seeking passive acquiescence from the rest of the parties potentially interested in their CSRes; would thus be

oriented towards maintaining their legitimacy; and adopt more reactive stances with regard to CSR.

On the contrary, stakeholder capitalists would be ethics-oriented; internally motivated; proactive; would employ CSR in large amounts; in primarily substantive and both positive and negative forms; and would aim to extend their legitimacy, with regard to CSR, in order to raise the overall benefit and stability of the community of which they are part. Similarly to this category, ethics opportunists would also be internally motivated; proactive; would employ CSR in large quantities; and would aim to extend their legitimacy. However, they would be principally profit-oriented and would be disclosing primarily symbolic (and positive) CSD – most likely not in a steadily increasing mode over time.

Ethics pragmatists, on the other hand, would be profit-oriented; externally motivated; would seek passive acquiescence from their constituents with regard to their CSR policies; would attempt to maintain legitimacy; and would seem to adopt reactive stances over time; with minor increases to their generally moderate levels of CSR – the type of which would be expected to be primarily symbolic and positive.

Evidently, it is primarily the stakeholder capitalists and the pristine capitalists, who appear to have most differences in their CSR approaches. On the other hand, it seems that the pristine capitalists do appear to have a number of similarities in their approach with the ethics pragmatists; and this seems even more to be the case with the ethics opportunists and the stakeholder capitalists. And, while in the pristine capitalism-ethics pragmatism pairing, the identification of each organisational variant is eased by the fact that the pristine capitalists would only be expected to disclose what CSR is required by law, this is clearly not the case with the ethics opportunism-stakeholder capitalism pairing.

The identified characteristics of the CSR approaches of each organisational variant have informed the propositions of the study, discussed next.

Table 4.4 Organisational approaches with regard to CSR and legitimacy sought

	Pristine Capitalism	Ethics Opportunism	Ethics Pragmatism	Stakeholder Capitalism
CSRes position	CSRes1	CSRes4	CSRes3	CSRes2
Orientation	Profit	Profit	Profit	Ethics
Internal vs. external CSR motivation	None (potential for both)	Internal	External	Internal
Type of support sought from constituents	Passive acquiescence	Active support	Passive acquiescence	Active support
Legitimacy orientation	Maintain (establish if necessary)	Extend (defend if threatened)	Maintain (defend if threatened)	Extend (defend if threatened)
Proactive- reactive stance across time	Either	Proactive	Reactive	Proactive
Amount of CSR	Negligible	Large	Moderate (large if necessary)	Large
CSR across time	Negligible increase	Significant but not steady increase	Negligible increase	Significant and steady increase
Type of CSD	Minimal	Primarily symbolic (and positive)	Primarily symbolic (and positive)	Primarily substantive (and both +/-)

4.5 Propositions

A number of propositions are drawn from the above theoretical discussion.

1. *Following a legitimacy threat, the level of total CSD will show a notable increase*
2. *Following a legitimacy threat, the level of Health and Safety (H&S) CSD will show a notable increase*

These are the central propositions of this study and are expected to hold for all three legitimacy based types of organisations engaging with CSR (although, the increased public pressure may even compel the pristine capitalists to start disclosing some voluntary CSD information). A possible ‘no response strategy’ (O’Donovan, 2002) or even a decline in the levels of CSD following the threat would clearly signify that organisations do not perceive CSR to be part of the requirements of an implicit social contract with their constituents and other theoretical explanations would need to be sought (such as PE1). It is expected that this would be particularly the case for the H&S disclosures, since in this study some aviation accidents have been selected as threats to the organisation’s legitimacy, as discussed in chapter 6.

3. *Following a legitimacy threat, the level of positive CSD will show a notable increase*
4. *Following a legitimacy threat, the level of negative CSD will show a notable increase*

All organisations employing CSR under each identified LT variant would be expected, following the threat to their legitimacy, to increase the levels of positive CSD in their reports, with the possible exception of the stakeholder capitalists, who would be expected to do so to a lesser extent. These ethics-oriented approaches, though, would be also expected to admit guilt and not conceal the negative impacts on their operations, thus also increase the levels of negative CSD in their reports, following the threat. Even the image-oriented organisations, may increase their negative CSD following the legitimacy threat, “in an attempt to diffuse the situation

by creating the impression ... of honesty” (Savage *et al.*, 2000, p. 50). Hence, a need arises for additional characteristics of CSD to be considered.

5. Following a legitimacy threat, the level of substantive CSD will show a notable increase

6. Following a legitimacy threat, the level of symbolic CSD will show a notable increase

Organisations with an ethics-oriented approach would be expected to be generally willing to bear the higher costs and provide more concrete, substantive information to their constituents; whereas, companies adopting an image-centred approach would tend to favour symbolic approaches, “since they are more economical and flexible than substantive actions” (Savage *et al.*, 2000, p. 48). One could still argue, though, that following a major legitimacy threat, even image-oriented organisations may be expected to respond with some substantive CSD in an attempt, for example, to show that they conform to the higher performance expectations of their constituents or to alter the societal definition of legitimacy.

As the discussion of the propositions has indicated, focusing on identifying the changes in the levels of CSR between prior to, and following, the accident, may be useful towards examining whether CSR is part of the requirements of an implicit social contract; however, such a focus does not appear to be particularly useful towards identifying which specific (out of the four identified) approaches towards CSR the organisations would hold. Consequently, the need to consider alternative research approaches that would focus less on the quantity, and more on the quality, of the reviewed CSR information, and examine over a number of years the disclosure patterns of organisations, is revealed as necessary to better understand their motivations for CSR. These issues are negotiated in the next chapter of the study, focusing on the justification and presentation of the study’s methods.

4.6 Summary

This chapter has discussed the theoretical framework of the study. More specifically, in an attempt to present the LT framework, three ‘types’ of legitimacy were identified, according to whether this pertains to organisations (Organisational Legitimacy – OL), individuals or the system. Then in respect of OL, it was explained that a resource-based view was adopted, whereby the legitimacy is a resource upon which organisations are dependent for survival. On this condition, four distinct OL variants, building on the corporate positions regarding CSRes identified in chapter 2, were identified and comprehensively discussed and their relationship with the theoretical frameworks discussed in the preceding chapter was indicated.

This was followed by a discussion on how organisations manage their legitimacy. Specific legitimisation strategies were identified and the types of CSR (symbolic or substantive and positive or negative) that organisations may employ as part of these strategies, and how these vary subject to the legitimacy ‘mode’ (extending, maintaining or defending legitimacy) was also discussed. Considering that for the purposes of this research, corporate disclosure reactions to some major legitimacy threats in the form of accidents are investigated, some empirical evidence on investigating legitimacy threats was then reviewed. The legitimacy management discussion finally informed the arguments behind the propositions of the study, presented in the penultimate section of the chapter.

Having completed the literature review and presented the theoretical approach of the study, the discussion moves on to the methodology; this is discussed over the next two chapters.

PART III METHODOLOGY

*...Keep Ithaca always in your mind.
Arriving there is what you're destined for.
But don't hurry the journey at all.
Better if it lasts for years,
so you're old by the time you reach the island,
wealthy with all you've gained on the way,
not expecting Ithaca to make you rich*

...

Chapter 5

Research methodology and methods

5.1 Introduction

The three preceding chapters presented the theoretical approach to the study: chapter 2 identified some distinct organisational positions based upon the motivations for CSRes behaviour; chapter 3 reviewed the explanations of CSR most frequently employed in the literature, clarified their relationships in respect of the research questions of the study and concluded that the CSRes positions may also provide a useful base for an explanatory CSR framework; and chapter 4 incorporated these arguments in the LT framework and subsequently presented the propositions of the study.

This chapter is the first of two dedicated to methodology. Written from a position *ex ante* to conducting the data collection and analysis, its overarching aim is to present, and provide a justification of the methods employed. The focus of the chapter is on quantitative Content Analysis (CA), given the nature of the research and its propositions (requiring measuring the levels of CSR); however a qualitative approach to CA is also suggested and the chapter briefly, therefore, additionally outlines the debates behind both the philosophy and the research design employed.

To this end, some background information is first provided, followed by discussion on the philosophical stance and research design adopted in the study. Then, a discussion on the study's approach to CA commences. The theoretical arguments favouring a strictly quantitative vs. wider qualitative CA approach are reviewed first, in an attempt to broadly situate CSR empirical research into the CA theoretical literature. This is followed by a discussion on the index vs. amount/volume CA 'distinction'. Subsequently, the sampling, context and recording of CA units are respectively discussed. This is followed by a discussion on ways to conduct CA, with divisions regarding categorical and thematic distinctions. Finally, a summary of the chapter and some conclusions are provided.

5.2 Background

Overall, authors looking for explanations of CSR (and despite their similar research questions) have employed a variety of methodological approaches to conduct their research: this being from case studies (e.g. Guthrie and Parker, 1989; Cormier and Gordon, 2001; Deegan *et al.*, 2002) and interviews (e.g. Woodward *et al.*, 2001; O'Donovan, 2002a; O'Dwyer, 2002); to surveys using questionnaires (e.g. Deegan and Gordon, 1996; Deegan and Rankin, 1997; Dunk, 2002); CA (e.g. Walden and Schwartz, 1997; Adams *et al.*, 1998; Patten, 2002); longitudinal studies (e.g. Guthrie and Parker, 1989; O'Dwyer and Gray, 1998; Deegan *et al.*, 2002); or theoretical investigations (e.g. Laughlin, 1990; 1991; Gray *et al.*, 1995a; Gray *et al.*, 1996; Woodward and Woodward, 2001; Dillard *et al.*, 2005).

However, methodological concerns have been expressed by a number of researchers investigating CSR motivations. The suitability of CA to explore corporate motivations has been challenged and concerns have also been expressed over the amount of information that can be provided through, most frequently, only the inclusion of ARs in the analysis (e.g. Unerman, 2000; Woodward *et al.*, 1996; Woodward *et al.*, 2001; O'Dwyer, 2002). Others have acknowledged that conclusions drawn from case studies, or from studies employing interviews, can only be tentative due to the small sample size involved (e.g. Cormier and Gordon, 2001; O'Dwyer, 2002; Adams, 2002). Methods involving statistical analysis have also been questioned, for example, for the possibility of excluding important factors from the analysis (e.g. Patten, 2002; Adams, 2002; Toms, 2002; Jones and Xiao, 2003; Deegan, 2004). As Adams (2002) stresses, there is a need of these methodological issues, among others, to be addressed, "if improvements in the extensiveness, quality, quantity and comprehensiveness of reporting are to be achieved" (p. 246).

Yet, methodological research in CSR, and despite the explicit need for it, has been sporadic; a number of rather outdated published papers reviewing methodological issues on general organisational theory and financial reporting (e.g. Ball and Foster, 1982; Jensen, 1983; Thompson and Smith, 1991) have identified methodological limitations and have suggested possible improvements in the CSR research agenda. Recent literature seems to be mainly focusing on reviewing the use of specific

methods, such as CA (e.g. Gray *et al.*, 1995b, Milne and Adler, 1999; Unerman, 2000), ethnographies (e.g. Dey, 2002) or narratives (e.g. Beattie *et al.*, 2004). Consequently, there seems to be a lack of studies published to date, providing comprehensive comparative accounts of methodologies that have been (or could have been) employed in CSR research.

In response to this apparent vacuum, and in an attempt to assist in the methodological choice of this doctoral study, the present author conducted two systematic reviews of the CSR literature (Vourvachis, 2005; 2007), in order to identify suitable methodologies to investigate motivations for CSR and thus assist in his doctoral research. The findings of these studies inform the discussion on the methods subsequently employed. Firstly, however, the author's philosophical assumptions are clarified.

5.3 Research paradigm

Before commencing the discussion on the research methods to be presently employed, the author's philosophical assumptions (his 'paradigm') should be made clear. As Easterby-Smith *et al.*, (2002) stress, this decision is very important:

a number of factors beyond the technicalities of research design, or the use of particular methods, assume considerable importance. These start with the philosophical issues underlying management research, because the worldview of the researcher can influence both the selection of the methods and judgments about the quality and value of outcomes (p. xi).

Thus, deciding on a paradigm seems to provide direction for designing all phases of a research study (Creswell, 1994; Easterby-Smith *et al.*, 2002). This has resulted in a number of research methods' authors prompting researchers, before starting even thinking of the topic of their research project, to decide on a paradigm (see, e.g. Mason, 1998, Collis and Hussey, 2003; Ritchie and Lewis, 2003). Some researchers, though (see e.g. Tashakori and Teddlie, 1998; Ritchie and Lewis, 2003; Weber, 2004), have argued that it is the research *questions* that should be providing direction for all phases of a research project. These arguments, along with the researcher's philosophical assumptions, are discussed in detail under following section 5.3.2.

Firstly, however, a review of the two main philosophical perspectives, being positivism and interpretivism, is provided.

5.3.1 A review of the two main philosophical perspectives

Paradigms refer to, “accepted examples of actual scientific practice – examples which include law, theory, application, and instrumentation together – [which] provide models from which spring particular coherent traditions of scientific research” (Kuhn, 1962, p. 10). Since Socrates epoch (5th century BC) several philosophical perspectives have emerged, reflecting rather contradictory assumptions about the nature of the world; the interaction of the researcher with it; and the way one should undertake the object research.

Burrell and Morgan (1979) have initially identified two major stances: the ‘objective’ (also referred to in the literature as positivist, scientific, quantitative and deductive) and the ‘subjective’ (also referred as interpretivist, phenomenological, qualitative or inductive)²⁴. Most importantly, the ‘positivist’ paradigm underlies quantitative methods, while the ‘interpretivist’ paradigm underlies qualitative methods (Guba and Lincoln, 1994). Table 5.1 summarises the key features of these paradigms.

The objectivist philosophy, reflected in the works of most ancient Greek philosophers (particularly Parmenides), assumes a world external and objective, where things ‘exist and act independently of human activity’ (Bhaskar, 1989, p.13), and calls the researcher to focus on facts, look for causality, and adopt a hypothetico-deductive formulation to test his/her suggestions. Measured concepts and large samples are employed to serve this purpose and, consequently, quantitative techniques are favoured. Such techniques have the advantage of producing reliable and generalisable data, due to the specific statistical techniques employed and the large samples, and additionally offer simple analysis and interpretation of the data

²⁴ It is interesting to note that theorists, delineating between positivism and interpretivism, typically do not include pragmatism as a third point of comparison (e.g. Guba and Lincoln, 1994; Smith and Heshusius, 1986), even though those two initially espoused competing points of view do not exhaust the paradigmatic possibilities (Tashakkori and Teddlie, 1998). As Howe (1988) notes, “This seems to be a serious omission, for pragmatists were largely responsible for bringing down positivism and would clearly reject the forced choice between the interpretivist and positivist paradigms” (p. 13)

(Churchill and Iacobucci, 2002). However, quantitative studies give little attention to context, tend to deal less well with the processual aspects of organizational reality, and appear to lack validity for beliefs/feelings when, for example, structured questionnaires are used (Bryman, 1989; Malhotra and Birks, 2003).

Table 5.1 Positivist and interpretivist paradigms: key features

	Positivism	Interpretivism
<i>Ontology</i>	Person (researcher) and reality are separate	Person (researcher) and reality are inseparable
<i>The world</i>	External and objective	Socially constructed and subjective
<i>Epistemology</i>	Objective reality exists beyond the human mind	Knowledge of the world is intentionally constituted through a person's lived experience
<i>The observer</i>	Must be independent	Is part of what is being observed
<i>Theory of Truth</i>	Correspondence theory of truth: one-to-one mapping between research statements and reality	Truth as intentional fulfilment: interpretations of research object match lived experience of object
<i>Method</i>	Statistics, content analysis	Hermeneutics, phenomenology
<i>Research progresses through Science</i>	Hypotheses and deductions Value free	Gathering rich data from which ideas are induced Driven by human interests
<i>Generalisation through Sampling requires</i>	Statistical probability Large numbers selected randomly	Theoretical abstraction Small numbers of cases chosen for specific reasons
<i>Validity</i>	Certainty: data measures reality	Defensible knowledge claims
<i>Reliability</i>	Replicability: research results can be reproduced	Interpretive awareness: researchers recognise and address implications of their subjectivity

Source: Adapted from Easterby – Smith *et al.* (2002) and Weber (2004, p. iv)

On the contrary, the 'subjectivist' philosophical stance assumes that the world is socially constructed (i.e. where the observer is part of what is observed), thus prompting the researcher to try to understand what is happening and to select small samples – investigated in depth – to develop ideas through the induction of data

(Easterby-Smith *et al.*, 2002). Thus, this philosophical approach favours the adoption of qualitative techniques, which place emphasis on interpretation and tend to give more attention to the context of what is observed (Bryman, 1989). These techniques, therefore, seem to be more suitable to investigate complex phenomena and result in gaining a comprehensive and complete picture of the whole context in which the phenomena of interest occur (Malhotra and Birks, 2000). However, qualitative techniques are often criticised for their lack of rigour, since the direction of the findings and conclusions can be easily influenced (Yin, 1994; Saunders *et al.*, 2003), and also for the fact that they provide little basis for scientific generalisation (see, e.g. Guthrie and Parker, 1989; Deegan *et al.*, 2002).

Since they are based on opposite assumptions, these stances might be expected to be mutually exclusive (Burrell and Morgan, 1979; Burrell, undated). However, this expected ‘incommensurability’ of the espoused philosophical stances has raised a significant debate in the field of social sciences and particularly in organisational theory (see, e.g. Donaldson, 1985; Reed, 1985) and a significant amount of research supports the contention that objectivist and subjectivist methodologies should be combined, and should be selected subject to the research questions’ focus, such as to achieve ‘better’ results (Ritchie and Lewis, 2003; Weber, 2004).

It is argued here that philosophical perspectives act as lenses through which one can view the social world. In the real world, an appropriate lens should be selected, subject to the needs of each person. Likewise, the research methodologies should be subject to the orientation of the research questions. These arguments are similar to those expressed by Laughlin (1995) and by researchers adopting pragmatism, such as Tashakkori and Teddlie (1998), as argued in the next section.

5.3.2 The adopted paradigm: Laughlin’s ‘middle range thinking’

In this study, Laughlin’s (1995) ‘middle range’ philosophical arguments have been adopted. Laughlin (1995) rejects the simple ‘positivism’ vs. ‘interpretivism’ dichotomy and argues that a middle position on the ontological and epistemological

dimensions preserves the benefits of both paradigms, while avoiding their absurdities (Unerman, 2000b).

Laughlin's position partly accepts the 'interpretivist' ontology that individuals have different perceptions of what is 'true' or 'real' in this world; thus this approach does not discount the inescapable, "perspective bias in models of understanding" (Laughlin, 1995, p. 81) in order to investigate 'truth'. However, the approach also accepts (in a partly 'positivistic' manner) that there are likely to be broad generalisations which can be made in many (but not necessarily all) situations; these broad generalisations will however usually be 'skeletal' and will normally require empirical detail to make them applicable to specific situations (Unerman, 2000b).

Laughlin's (1995) 'middle range' position is thus closely related with that of pragmatism, the key features of which are summarised in Table 5.2.

Table 5.2 Pragmatism: key features

<i>Ontology</i>	Person (researcher) and reality can only be separated to some extent
<i>Epistemology</i>	Both objective and subjective points of view
<i>Logic</i>	Deductive and Inductive
<i>Methodology</i>	Quantitative and Qualitative
<i>Axiology</i>	Values play a large role in interpreting results
<i>Causal Linkages</i>	There may be causal relationships, but we will never be able to pin them down

Source: Adapted from Tashakkori and Teddlie (1998, p. 23)

It is difficult to describe pragmatism as a school of philosophy, "since the term is used to refer to a variety of different epistemological positions...there are as many pragmatisms as there are pragmatists" (Johnson and Duberley, 2000, p. 158). Rorty (1979), for example, associates pragmatism exclusively with social construction, and

pragmatism is also closely related to critical realism²⁵. In general, nevertheless, pragmatism, similarly to Laughlin's approach, is also perceived to accept that researchers and reality can only to some extent be separated and that any generalisations to wider populations can only be tentative and will require increased empirical detail.

Importantly, both Laughlin and pragmatism accept that a researcher's subjectivity plays an important creative role in the research process, but that there should be some prior definition in the research methods employed. Hence, specific research procedures should be adopted, which however should allow for some creative flexibility, as the empirical study progresses (Unerman, 2000b). Methodologically (and in contrast to the adoption of a pure positivist or interpretivist approach, which would only support the employment of quantitative or qualitative methods respectively) this entails that all methods, qualitative *and* quantitative are useful, and decisions on the relevant method should depend upon the research question as it is currently posed (whether it is set *a priori* or it is building on some findings - see also Ritchie and Lewis, 2003 and Weber, 2004, for similar arguments). As Tashakkori and Teddlie (1998) contend:

research should be done with a clear intention to answer a question, solve a problem, or evaluate a programme. We stress the importance and predominance of the research question over the paradigm, and we encourage researchers to use appropriate methods from both approaches to answer their research question (p. v)

The espousal of Laughlin's (1995) 'middle range' stance allows, therefore, for mixed method studies to be adopted, where qualitative and quantitative approaches are combined across all phases of the research process, from conceptualisation to data analysis and inference (Tashakkori and Teddlie, 1998); and where defined methods are employed, which however allow for flexibility in application and for interpretation in light of the on-going findings. This is particularly important for this study, since as the discussion of the propositions (section 4.5) has indicated, the

²⁵ The main difference of the two is with regard to causality: critical realism (e.g. Bhaskar, 1989) considers social theory and social reality to be causally interdependent whereas pragmatism (e.g. Sayer, 1992), although considering that the world can only be understood by social theory, it stresses that the latter does not determine the structure of the world itself (Johnson and Duberley, 2000).

focus on quantitative CA, cannot significantly contribute towards identifying which specific approach out of the four identified towards CSR the organisations would hold.

Having clarified these philosophical assumptions, the methodological choices of the study, so as to serve better the set questions and propositions, can be discussed. Firstly the decisions regarding the research design are considered.

5.4 Research design

5.4.1 A review of the research designs used in CSR research

Three main types of research strategy appear to be frequently employed in CSR research: surveys, case studies and experiments (Vourvachis, 2005). The main characteristic of the survey design approach is that it involves the use of large samples, with consequent benefits in the generalisability of the findings. When combined with documentary data and quantitative analysis (as in the case, e.g. of Gray *et al.*, 2001; Patten, 2002; Richardson and Welker, 2001; Tilt, 2001; Wilmshurst and Frost, 2000), survey works appear to pay less attention to the full context of the documents surveyed and general phenomena investigated. Specific measures and types of quantitative analysis are employed, with subsequent benefits in the reliability of the findings, but with some potential flaws in the studies' validity (factors explaining the findings may be omitted; examined variables may be selected subjectively; and when relationships are identified, the direction of causality is quite difficult to determine). In fact, Bryman (1989) notes that, "survey research is usually less adept at generating definitive causal relationships than experimental designs, because of the latter's greater internal validity" (p. 134).

Bryman (1989) mostly attributes the specific problems in investigating causal relationships of the various survey designs to the usual employment of data collected at a single juncture. However, in a number of longitudinal CSR surveys (e.g. Gray *et al.*, 2001; Kuasirikun and Sherer, 2004; Richardson and Welker, 2001) it is evident that, even when statistical correlations and regressions are employed, the generated models do not seem to be able to explain all the evidence. As Gray *et al.* (2001)

conclude in their survey, “it is worth emphasising that the amount of variability in disclosure explained by the present characteristics remains relatively small. Other factors are clearly at work here” (p. 350).

However, survey designs may also employ qualitative data and analysis, as in the cases of O’Dwyer (2002; 2003). In these cases (i.e. cross-sectional studies, employing interviews and qualitative analysis based on Huberman and Miles, 1994), it seems that the concerns over the reliability and validity of the findings are reversed, compared to the more quantitative survey efforts. It is, therefore, the reliability of the findings that is put into question, considering the qualitative, and hence ‘soft’ nature of both the collected data and the (inevitably, to a lesser or greater extent) subjective qualitative analysis. Hence, more attention to the context of the phenomena studied seems to be paid, and more valid (reflective of the situation under investigation) findings, seem to be generated from the interviews and the qualitative analyses undertaken. It seems, therefore, that there are no general conclusions to be made regarding the credibility of the survey designs. Although the generalisability benefits should be acknowledged, these are also subject to how representative the employed sample is. Hence, the specific for every survey research credibility considerations, are largely subject to the data collection and data analysis methods used.

Experimental studies have, as well, been used at times in CSR research (see, e.g. Milne and Patten, 2002; O’Donovan, 2002a). The main benefits of these studies seems to be that the factors under examination can be isolated, thereby enhancing the studies’ validity. When large samples, questionnaires and statistical analysis are involved (as in the case of Milne and Patten, 2002), the reliability and generalisability of the findings is enhanced; but, when smaller samples, interviews and qualitative analysis are employed (as in O’Donovan, 2002a), and despite the potential threats to the reliability of the finding, more attention is paid to the context and more light can be shed on the complex social phenomena involved.

However, as Denscombe (2003) notes, “In the case of social research, there are certain limitations on the extent to which circumstances can be manipulated... a researcher can do things to chemicals and plants that cannot be contemplated with

fellow human beings” (p. 65). Participants in the experiments are not making real world decisions; further, “reactivity is likely to occur because of subjects’ awareness that they are participants in an experiment” (Bryman, 1989, p. 88). Therefore, the generalisability of the findings is put into question. Moreover, it is difficult to establish (under an experimental design) the representativeness of the research subjects. It is questionable, therefore, whether the benefits of experimental research outnumber its disadvantages and this may be one of the reasons why experimental designs do not seem to be frequently employed in CSR research.

However, this reservation does not seem to be the case in case study designs. Overall, and similarly to surveys (despite being generally perceived as qualitative approaches), case study designs may also take a quantitative character. As Denscombe (2003) points out, “the decision to use a case study approach is a strategic decision that relates to the scale and scope of an investigation, and it does not, at least in principle, dictate which method or methods must be used” (p. 32). Indeed, it seems that in CSR a number of studies adopting case study designs, involve the use of either qualitative analysis or quantitative (content or statistical) analysis. Despite the fact that, under any analysis conditions, there is a general concern over the case studies’ basis for generalisation (see, e.g. the concerns expressed by Guthrie and Parker, 1989; Deegan *et al.*, 2002), “case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes... the goal is to do a ‘generalising’ and not a particularising” (Yin, 1994, p.10). The generalisability of the findings is enhanced when multi-case study methods are employed; where replication logic is used (Savage *et al.*, 2000); such that “the analysis is likely to be easier and the findings likely to be more robust than having only a single case” (Yin, 2009, p.156).

The main benefit with qualitative case study approaches (such as Adams, 2002; 2004; Larrinaga- Gonzalez *et al.*, 2001), and despite any subsequent reliability and generalisability shortcomings, is that the focus on one, or a few, instances allows the researcher, “to deal with the subtleties and intricacies of complex social situations” (Denscombe, 2003, p. 38). Case studies “explain the causal links in real-life interventions that are too complex for the survey or experimental strategies” (Yin, 1994, p. 15). Therefore, largely qualitative case study approaches, seem to be a

suitable methodological approach for research on motivations for CSR, since this appears to be, “the preferred strategy when ‘how’ or ‘why’ questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context” (Yin, 2003, p. 1).

On the other hand, when more quantitative case study approaches are adopted (as in the case of Campbell *et al.*, 2003; Cormier and Gordon, 2001; Deegan *et al.*, 2002), it seems that the authors’ main concern is to be objective, thereby ensuring the reliability of the results and providing measurable and statistically valid findings. This still allows for an in-depth investigation of the cases and for generalisations to theoretical propositions, although it will (more often than qualitative approaches) result in not explaining all the evidence presented.

5.4.2 The adopted design: longitudinal multi-case study

Considering the above discussion and the explanatory nature of this research, a case study strategy is adopted. This will allow for an in-depth investigation of the propositions to be conducted and will further assist in dealing with the intricacies of complex social situations (Denscombe, 2003) as well as “explain the causal links in real-life interventions that are too complex for the survey or experimental strategies” (Yin, 1994, p. 15). Hence, the adoption of a case study design seems to be a suitable methodological approach for this CSR explanation research, particularly since in order to investigate the propositions identified, companies that have faced major legitimacy threats need to be examined and both a detailed and longitudinal analysis of their CSR disclosing patterns, involving varied approaches to data analysis, needs to be conducted.

More specifically, Yin’s (1989, 2003) multi-case research design is employed to investigate the propositions of the study. According to Colbert and Spicer (1995) and Savage *et al.* (2000), Yin provides the most coherent and comprehensive approach to multi-case explanatory research. Yin’s (2009) primary objective is to provide analytical evidence about the empirical validity of the underlying theory, by matching case evidence back to theory. By using a multitude of (mainly, qualitative)

analysis techniques, Yin employs the pre-specified theory as a template, with which to compare the empirical results of the study. Thus, by adopting Yin's (2009) approach, the emphasis is not on explaining most of the variance of the data, but on explaining all the data; if the outcome of a case is not as predicted, the theory must be modified, and theory development then takes place. Importantly, the case study approach will allow for a more in depth investigation, encompassing mixed qualitative and quantitative approaches to CA, to be employed, as deemed necessary by the discussion of the propositions of the study in section 4.5.

Having considered the research design of the study, the CA approach used can be discussed.

5.5 Introducing Content Analysis (CA)

CA appears to be, "the research method that is most commonly used to assess organisations' social and environmental disclosures" (Milne and Adler, 1999, p. 237), and it is most often viewed in CSR as, "a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity" (Abbot and Monsen, p. 504). It is generally employed in studies investigating the level and quality of the CSR information provided (e.g. Benschop and Meihuizen, 2002; Cormier and Gordon, 2001; Freedman and Stagliano, 2002). However, CA is also employed to answer questions with regard to the potential relation of CSR to specific factors (Al-Tuwaijri *et al.*, 2004; Gray *et al.*, 2001; Patten, 2002; Richardson and Welker, 2001), or to investigate motivations for CSR (Campbell *et al.*, 2003; Deegan *et al.*, 2002; Wilmshurst and Frost, 2000). CA has been employed in the present research as it is best suited for investigating the study's propositions, which require some coding and measurement of CSR.

Considering the wide employment of the technique and its idiosyncratic approach to analysis (by transforming, by and large, 'qualitative' to 'quantitative' data), a number of methodological concerns have been expressed over its use in CSR research. These concerns can be generally classified as concerning: the sampling and measurement

units of the analysis; the ways of ‘defining’ those units (a term that Krippendorff, 2004, employs to refer to investigating the contextual aspects of CA); and the instrument’s reliability. As Adams (2002) stresses, there is a need for these methodological issues to be addressed, “if improvements in the extensiveness, quality, quantity and comprehensiveness of reporting are to be achieved” (p. 246).

A number of studies discuss methodological issues in CSR with a focus on CA, most notably Guthrie and Mathews (1985), Gray *et al.* (1995b), Hackston and Milne (1996), Milne and Adler (1999), Unerman (2000a) and Guthrie *et al.* (2008) (see also Guthrie *et al.*, 2004 and Beattie and Thomson, 2007, for discussions on the use of CA in the related field of intellectual capital reporting). Whilst Milne and Adler (1999) and Unerman (2000a) comprehensively discuss the reliability of the CA and the inclusiveness of sampling units, respectively, there still seems to be a debate over the measurement unit to be employed. Thus Milne and Adler suggest different measurement units from Unerman; there also seems to be a lack of studies offering alternative approaches to defining the CA units (but see Guthrie and Mathews, 1985; Gray *et al.*, 1995b; and Milne and Adler, 1999, for some brief accounts).

The objective of the remainder of the chapter, therefore, is to revisit the debate on the CA units (i.e. sampling, context and recording units) and, by offering a discussion on a variety of approaches to employing CA in CSR, to justify the approach selected in this study. To satisfy this objective, a number of theoretical CA and empirical CSR sources have been reviewed.

5.6 The systematic review of the CA literature

The research strategy of the literature review informing this chapter is a theoretical investigation/literature survey, which “involves the use of survey principles applied to documents on the topic of research” and where “the idea is to encompass as much as possible of the existing material – equivalent to getting the panoramic view of the landscape” (Denscombe, 2003, p. 10). A number of CSR studies employ theoretical

investigation as a research strategy²⁶ and this was probably the only pragmatically available strategy to meet the purposes of this research.

The collection and review of the relevant papers employing CA was quasi-systematic. Systematic reviews of the literature seem not to have been employed in the CSR research to date (for a potentially related study, see only Marr *et al.*, 2003 in the field of Intellectual Capital Reporting); however, this approach is well established in the health care research (e.g. Egger *et al.*, 2001; Jefferson *et al.*, 2003; Price *et al.*, 2004). The purpose of a systematic literature review “is to evaluate and interpret all available research evidence relevant to a particular question” (Glasziou *et al.*, 2001, p. 1), and with regards to data collection this either involves detailed keyword searches (as in Marr *et al.*, 2003) or exhaustive reviews of selected publications, as in the present paper. In either case, a completed review should consolidate what is known and identify any gaps in current knowledge leading to a more reliable and accurate picture of the current state of the field literature (Price *et al.*, 2004).

The quasi-systematic review had three stages. First, a systematic review of all the volumes to the time this chapter is written (April 2007) of three of the most prominent interdisciplinary journals in Accounting according to both Lowe and Locke (2005) and Tinker’s (2006) journal assessment studies (being *Accounting, Organizations and Society* [1976-], *Accounting, Auditing and Accountability Journal* [1988-] and *Critical Perspectives on Accounting* [1990-], was conducted.

In the second stage of data collection, the reference lists of previous methodological reviews of CA in CSR (Guthrie and Mathews, 1985; Gray *et al.* 1995b; Hackston and Milne, 1996; Milne and Adler, 1999 and Unerman, 2000) were scrutinised and

²⁶ Theoretical investigations are employed in CSR to introduce frameworks (Laughlin, 1990; 1991; Woodward and Woodward, 2001; Dillard *et al.*, 2005), to review the development of the field (Mathews, 1997; Carroll, 1999; Elkington, 1999; Bebbington, 2001; Gray, 2001; 2002; Line *et al.*, 2002; Norman and McDonald, 2004; O’Dwyer, 2005), to provide general explanatory accounts (Gray *et al.*, 1997; Bebbington and Gray, 2000; Ramirez, 2001), to review specific theories (Gray *et al.*, 1995a; Deegan, 2002), or offer some international perspectives (Capron and Gray, 2000; Bebbington *et al.*, 2000; Aaronson, 2003), and proposals for the development of the field (Adams and Harte, 2000; Lehman, 2004). Most of the authors implicitly seem to consider their methodological choice self-explanatory and some describe how the literature relevant to their purposes is identified and segmented (Gray *et al.*, 1997; Mathews, 1997).

all the publicly available CA studies referenced were collected and reviewed. Finally, to further increase validity, some additional well-referenced CSR papers were collected, until it was realised that saturation in contributions was reached, when the review of more sources was not adding to understanding but only to the paper's reference list.

The data collection resulted in over a hundred papers to be reviewed. A summary of these is presented in Table 5.3, and was generated after identifying their CA approach (some sources employ more than one approach). Considering that a general major weakness of theoretical investigations regards the credibility of the collected documental sources (Denscombe, 2003; Yin, 2003), it was expected that the review of such well-referenced sources would add to the validity of the research; it is nevertheless acknowledged that, particularly in the final stage in data collection, where the additional sources were not collected according to specifically determined criteria, some original, less frequently referenced contributions, published in other sources may have been omitted.

The data analysis was based on the approach suggested by Miles and Huberman (1994) which is discussed in more detail later in the chapter, but in brief involves firstly the review, coding and synthesis of the raw data, subsequently the identification of key dimensions and development of classifications and typologies, and finally, building explanations for the identified patterns and making inference to the research questions. The first two stages took place simultaneously: the methods' sections of the papers were reviewed and detailed notes for each paper kept of the precise approach to CA; the implicit or explicit benefits and limitations identified; and the references employed for the appropriate justification (the development of coding schemes was not deemed necessary). These notes assisted in directly developing the explanatory accounts of the research, addressing the main set objectives. The succeeding sections discuss these findings.

Table 5.3 The reviewed CSR papers approaches to recording units

Volumetric approaches	Characters	Davey, 1982; Tinker and Neimark, 1987
	Words	Brown and Deegan, 1998; Campbell, 2000; 2004; Campbell <i>et al.</i> , 2003; 2006; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Gao <i>et al.</i> , 2005; Neu <i>et al.</i> , 1998; Wilmshurst and Frost, 2000; Zéghal and Ahmed, 1990
	Lines	Bowman and Haire, 1975, 1976; Patten, 2002b; Trotman and Bradley, 1981; Wiseman, 1982
	Sentences	Buhr, 1998; Deegan <i>et al.</i> , 2000; 2002; Guthrie <i>et al.</i> , 2008; Hackston and Milne, 1996; Ingram and Frazier, 1980; Milne and Adler, 1999; Patten, 2002a; Tilling, 2003; Tilt, 2001; Tilt and Symes, 1999; Tsang, 1998; Walden and Schwartz, 1997; Williams, 1999; Woodward <i>et al.</i> , 2008
	Themes	Burritt and Welch, 1997
	Standardised proportion of pages	Adams, 2004; Adams <i>et al.</i> , 1995; 1998; Andrew <i>et al.</i> , 1989; Buhr, 1994; Gray <i>et al.</i> , 1995a,b; 2001; Guthrie, 1983; Guthrie and Parker, 1989; 1990; Hackston and Milne, 1996; Kuasirikun and Sherer, 2004; Murray <i>et al.</i> , 2006; Newson and Deegan, 2002; O'Dwyer, 1999; Savage <i>et al.</i> , 2000; Unerman, 2000
	Page size (and % of total CSD)	Bowman and Haire, 1975, 1976; Dierkes, 1979; Gibson and Guthrie, 1995; Hackston and Milne, 1996; Hasseldine <i>et al.</i> , 2005; Patten, 1992; Salama, 2003; Trotman, 1979; Trotman and Bradley, 1981
Index approaches	Binary coding	Abbott and Monsen, 1979; Adams and Frost, 2004; Adams and Harte, 1998; Al-Tuwaijri <i>et al.</i> , 2004; Andrew <i>et al.</i> , 1989; Barth <i>et al.</i> , 1997; Bebbington and Larrinaga, 2007; Belkaoui and Karpik, 1989; Benschop and Meihuizen, 2002; Beresford and Cowen, 1979; Bettman and Weitz, 1983; Buhr, 2001; Campbell <i>et al.</i> , 2006; Chan, 1979; Cormier and Gordon, 2001; Cowen <i>et al.</i> , 1987; Day and Woodward, 2004; De Villiers and Van Staden, 2006; Dierkes, 1979; Ernst and Ernst, 1978 (as cited in Deegan <i>et al.</i> , 2000, p. 118); Esrock and Leichty, 1998; Freedman and Stagliano, 2002; Guthrie <i>et al.</i> 2007; Harte and Owen, 1987; Ingram, 1978; Kelly, 1981; Mobus, 2005; Moneva and Llana, 2000; Niskala and Pretes, 1995; Nurhayati <i>et al.</i> , 2006; O'Dwyer and Owen, 2005; Patten, 2002b; Patten and Crampton, 2004; Richardson and Welker, 2001; Roberts, 1991; Simmons and Neu, 1996; Tilt, 1994; Turner <i>et al.</i> , 2006; Ullmann, 1979; Unerman and Bennet, 2004; Yamagami and Kokubu, 1991
	Weighted coding	Al-Tuwaijri <i>et al.</i> , 2004; Freedman and Jaggi, 1986; 1988; Freedman and Wasley, 1990; Hughes <i>et al.</i> , 2001; Kolk, 1999; Wiseman, 1982
Qualitative approaches		Adams, 2002; Bebbington and Gray, 2000; Jones, 2006; O'Donovan, 1999; 2002; O'Dwyer, 1999, 2002, 2003; Owen <i>et al.</i> 2000; Roslender and Fincham, 2004; Savage <i>et al.</i> , 2000; Unerman, 2003; Woodward <i>et al.</i> 2001

5.7 Quantity vs. quality in CA

A major debate in CA which originated in the late 1940s and 1950s (see, e.g. Janis, 1949; Lasswell, 1949; Berelson, 1952; George, 1959; Osgood, 1959) and is still evident (see, e.g. Boyatzis, 1998; Neuendorf, 2002; Berg, 2004; Krippendorff, 2004) considers whether CA is a strictly quantitative technique or it *should* (or indeed *could*) further take a qualitative form. For example, Berelson (1952) has defined CA as, “a technique for objective, systematic, and quantitative description of the manifest content of communication” (p. 18) whilst Krippendorff (1969a) considers it to be, “the use of replicable and valid methods for making specific inferences from text to other states or properties of its source” (p. 11) ²⁷. It is not the purpose of this chapter to reject or endorse any of these approaches; it should be noted, however, that this is in essence a pseudo-dilemma, given that by definition CA is both a qualitative and a quantitative technique, employing qualitative data which are subsequently quantified, and concentration on either approach may lead researchers to overlook the challenges arising from the method’s multifaceted character (Gephart, 2004). A brief review of these arguments, therefore, helps to identify broad CA types and general issues and provide a basic reference point for the subsequent discussion.

Proponents of the more restricted view of CA (such as Lasswell, 1949; Berelson, 1952; Deese, 1969; Neuendorf, 2002, see also e.g. Kassarian, 1977 and Gibson and Guthrie, 1995, in the CSR field) emphasise that it should be systematic, objective and generalisable and that quantification is essential. To ensure that these criteria are met, these theorists further argue for a focus of CA on the manifest (the ‘surface’) rather than the latent (deeper) meaning of the text and to the syntactic (combinations of signs without regard for meaning) and semantic (meaning of signs) dimensions of communication, rather than the pragmatic one (the relationship between the communication symbol and its user) (Morris, 1946; Berelson, 1952; George, 1959; Stone *et al.*, 1966). However, within this stream of the literature a further major distinction could be made among the ‘classical’ researchers supporting the use of objective standard categories, “to facilitate comparative and cumulative research”

²⁷ Rosengren (1981) assigns these views to the ‘Anglo-American’ vs. the ‘Continental’ and Sepstrup (1981) to the ‘positivistic’ vs. the ‘Marxist/critical’ research traditions, respectively.

(Holsti, 1969b, p. 114) and the ‘pragmatists’, endorsing the use of categories drawing on the theory and the research questions and specifically developed for the data and problem at hand (Marsden, 1965; Stone, 1969; Sepstrup, 1981; Weber, 1985). Other, more restrictive distinctions within this view have also been suggested, mainly based on the degree of quantification or the specific field characteristics (Marsden, 1965; Deese, 1969; Holsti, 1969a). All these approaches however, have been criticised as being too narrow, producing potentially misleading inferences (Stone *et al.*, 1966).

On the contrary, proponents of the broader view (such as e.g. Goldhamer, 1969; Hays, 1969; Krippendorff, 1969a,b; Paisley, 1969 and Easterby-Smith *et al.*, 2002, although see also, e.g. Unerman, 2003; Day and Woodward, 2004 and Thomson and Bebbington, 2005) consider that qualitative-oriented approaches are more valid, since, “one can draw more meaningful inferences by non-quantitative methods” (Holsti, 1969a, p. 10). These theorists argue for a focus on the latent meaning of text and the pragmatic and semantic dimensions of communication and further support the development of inductive categories based on some type of thematic analysis of the text (as in Boyatzis, 1998). However, and in addition to being accused of being more subjective and unreliable (Lasswell, 1949; Sepstrup, 1981), a further major limitation of such a wide approach is that it is difficult to develop a definition for it (Barcus, 1969) and identify conditions that differentiate it from other systematic forms of qualitative analysis without considering it as a ‘universal’ qualitative technique of message analysis, encompassing all the rest²⁸.

Evidently, however, all these arguments are associated with the wider debates of positivism vs. interpretivism and quantitative vs. qualitative methods and in many respects are not incompatible (see e.g. Weber, 2004). Indeed, a number of prominent CA theorists acknowledge that, “approaches and methodologies are never good per se; they are good *for something*” (Rosengren, 1981, p. 14, emphasis in original),

²⁸ For example, Krippendorff (2004) seems to consider discourse analysis, social constructivist analysis, rhetorical analysis, ethnographic content analysis and conversation analysis some kind of forms of qualitative CA. Furthermore, methods such as linguistic analysis (Marsden, 1965), narrative analysis, semiotic analysis, hermeneutics and grounded theory (as defined and illustrated by Schwandt, 2001 and Lewis-Beck *et al.*, 2004) would also comply with these broader definitions of CA. Such an approach however, would further add to the existing confusion over the meaning of the method, as illustrated in a reply of an English academic to Barcus’ (1969) CA survey: “I am so old-fashioned that I haven’t any idea what you mean by content analysis. If it means to you what it means to me, then every course I have ever taught involves analysis of content” (p. 549).

reject this rigid dichotomy and conclude by recommending the use of mixed methods and abductive logic for more complete inferences (see e.g. Berelson, 1952; Pool, 1959; Holsti, 1969a,b; Krippendorff, 1969a,b; 2004, Rosengren, 1981, and also Sepstrup, 1981; Boyatzis, 1998; Berg, 2004; Franzosi, 2004a,b); such mixed approaches may, for example, include the generation of inductive categories with subsequent quantified coding (what Tashakkori and Teddlie [1998] term ‘mixed-method’ approaches) or the parallel conduct of CA approaches focusing on the manifest and the latent content of the text, for triangulation purposes (Tashakkori and Teddlie’s ‘mixed-model’ approaches).

Table 5.4 A framework for CA

	<i>Quantitative</i>		<i>Mixed</i>	<i>Qualitative</i>
	<i>Classical</i>	<i>Pragmatic</i>		
Categories	Standard	Customised	Inductive	Inductive
Content	Manifest	Manifest	Manifest and Latent	Latent
Communication aspect	Syntactic and semantic	Syntactic and semantic	All	Pragmatic and semantic

Although CA theorists comprehensively discuss specific aspects of (what they perceive to be) CA, they rarely attempt to identify a ‘CA framework’, incorporating all possible types of CA; and when they do so (as in e.g. the cases of Janis, 1949 and Deese, 1969), they only distinguish among more restricted types of the method. Table 5.4 synthesises their arguments and attempts to provide a wider framework, identifying all major types of CA. Naturally, the distinctions are not clear cut (e.g. in qualitative approaches some manifest content is also considered in an attempt to investigate the latent) and some further sub-divisions of the four main approaches may be identified (see e.g. Janis, 1949; Marsden, 1965; Deese, 1969, for types of quantitative CA and Krippendorff, 2004 for types of qualitative). Due to the primarily quantitative orientation of CA in CSR research, the lack of mixed CSR studies²⁹ and the apparent vagueness in defining the broader view, this chapter

²⁹ This particularly refers to the lack of ‘mixed-method’ studies. There are some examples of ‘mixed-model’ studies in the CSR literature, where evidence from CA of Annual Reports is coupled with

primarily focuses on studies subscribing to the more restrictive view of the method. However, some exclusively qualitative approaches have also been considered, when these do not subscribe to an alternative rigidly specified qualitative analysis approach and can take a quantitative form. Considering, further, that the bulk of the approaches subscribing to the more restrictive view could be deemed pragmatic due to the lack of ‘standard’ CSR classifications, an alternative, frequently employed classification, the index vs. volumetric CA is reviewed and discussed in more detail next.

5.8 Index vs. amount/volume approaches

An alternative distinction within the quantitative, more restrictive CA studies, regards the one between ‘index’ studies and ‘amount-volume’ studies. Index studies generally check for the presence or absence of specific items of information (what Stone *et al.*, 1966 and Holsti, 1969a describe as ‘contingency analysis’) whereas volumetric ones check for the overall volume of disclosure, most frequently by counting words, sentences or proportions of an A4 page³⁰.

Index studies appear to have been the most popular approach to CA up to the early 1990s (Guthrie and Mathews, 1985; Zéghal and Ahmed, 1990), and in fact, in a number of studies, it is this approach that is most commonly labelled as ‘CA’, as opposed to the ‘line’, ‘sentence’ or ‘page counts’ terms generally attributed to the volumetric approaches (see e.g. Abbott and Monsen, 1979; Wiseman, 1982; Guthrie and Mathews, 1985, and more recently, Moneva and Llena, 2000; Patten and Crampton, 2004). As Table 5.3 illustrates, frequently a simple binary coding scheme is used, where a score of 1 or 0 in the presence or absence of the item is respectively attributed. At times, the aggregated frequency of the presence of these items is further estimated (Cowen *et al.*, 1987; Campbell *et al.*, 2006; Bebbington and

evidence from interviews (see e.g. O’Dwyer, 1999; Zain, 1999) or questionnaires (see e.g. Wilmshurst and Frost, 2000; Turner *et al.*, 2006); this is, not surprisingly, mostly common in PhD works, where research efforts take a wider scope.

³⁰ Note that the distinction between standardised vs. customised CA may still be applicable if one e.g. considers the categories frequently employed in the literature developed by Gray *et al.* (1995b), drawing on Ernst and Ernst (1978), as standard with regards to the volumetric studies, and e.g. the GRI (2002) guidelines as a potential standard index for contingency studies.

Larrinaga, 2007; Guthrie *et al.* 2007). Index studies, though, may further incorporate ordinal measures, to allow for the quality of the specific disclosure to be assessed (Beattie *et al.*, 2004), with Wiseman (1982) and Freedman and Wasley (1990) employing a four-level index (quantitative Corporate Social Disclosure (CSD)=3, non-quantitative=2, general=1, absent=0) (see Marston and Shrives, 1991; Beattie *et al.*, 2004, for more thorough discussions on types of index studies).

Although Marston and Shrives (1991, p. 195) assert that index scores, “can give a measure of the extent of the disclosure but not necessarily the quality of the disclosure”, it is arguable how useful for evaluating extent of disclosure these measures are, since as Abbot and Monsen (1979) concede, “The only meaning that may be attributed to the scale is that it reflects the variety of social involvement activities. It does not measure the *intensity* of each activity” (p. 507, emphasis in original). Further, as Milne and Adler (1999) note, although “from a coding perspective, the Ernst and Ernst [index] approach is likely to be more reliable than Gray *et al.*’s [1995a,b] and Hackston and Milne’s [1996, volumetric ones] because each coder has far fewer possible choices for each coding decision, and consequently, far fewer possibilities for disagreeing”, this increased reliability, “is gained at the expense of potential refinements to the understanding of social and environmental disclosure” (p. 242). In addition, although this approach appears to have the advantage over the volumetric ones that the scores are not affected by repetition of information or grammar, this might also be misleading, since it might treat a company making one environmental disclosure as equal to one that makes 50 of the same type (Hackston and Milne, 1996; Milne and Adler, 1999).

In volumetric approaches, on the other hand, it is assumed that the extent of disclosure can be taken as some indication of the importance of an issue to the reporting entity (Krippendorff, 1980; Campbell *et al.*, 2003). Although clearly not all the measured information would be of the same type or quality (Guthrie and Mathews, 1985, Gray *et al.*, 1995b), this can be assessed by applying a wide range of distinctions (Krippendorff, 2004 – a more detailed account of these is provided later

in the discussion)³¹. Considering the evidence that CSR has been increasing across time, both in number of disclosing companies and in the amount of information being reported (KPMG, 2005, 2008), particularly over the last 15 years (Erusalimsky *et al.*, 2006), and given the limitations of index studies, it seems reasonable that, as also evident in Table 5.3, the majority of CSR researchers are now employing volumetric approaches to CA in order to get a proxy for the emphasis given to particular content categories (Milne and Adler, 1999) rather than simply checking for the presence or absence of specific CSD.

It should be noted though, that this is not to say that index approaches to CA are necessarily less useful than volumetric ones. It is arguable, for example, whether volumetric studies would have been more useful in identifying general compliance to the GRI guidelines (as in Turner *et al.*, 2006, and Clarkson *et al.*, 2008) or comparing the variety of CSR information across ARs and corporate internet sites (as in Patten and Crampton, 2004). The suitability of each approach, therefore, as in most research efforts, depends on the research question (Tashakori and Teddlie, 1998; Ritchie and Lewis, 2003; Weber, 2004). Nevertheless, when Patten (2002b) and Patten and Crampton (2004) employed both index and volumetric measures and examined the correlations with lines and sentences, in both cases quite high coefficients were noted, indicating that even with regard to determining the extent of CSR both approaches may be equally valid.

5.9 Units of analysis

In this section the units employed in CA are reviewed. For Krippendorff (2004), “units are wholes that analysts distinguish and treat as independent elements” (p. 97). As he further points out, “In content analysis, three kinds of units deserve distinction:

³¹ A colourful novelistic commentary on the constant biases arising from these volumetric arguments is given by Stern (1960): “The obituaries were Poppa Hondorp’s measure of human worth. ‘There’s little they can add or subtract from you then’, was his view. Poppa’s eye had sharpened over the years so that he could weigh a two-and-a-half inch column of ex-alderman against three-and-a-quarter inches of inorganic chemist and know at a glance their comparative worth. When his son had one day suggested that the exigencies of the printer and makeup man might in part account for the amount of space accorded the deceased, Poppa Hondorp had shivered with... rage...the obituaries were sacrosanct; *The Times* issued from an immaculate source” (p. 24, cited in Webb and Roberts, 1969, p. 320).

sampling units, recording/coding units, and context units”. Given that Unerman (2000a) and Guthrie *et al.* (2008) have thoroughly discussed the choice of the sampling unit and that researchers seem to generally agree (not necessarily on the terminology but) on the actual use of context unit, more emphasis is paid in the present discussion to the recording/coding unit, which seems to generate a more lively debate.

In natural order, decisions on definitions/context precede those on the sample and measurement, as in, for example, the Gray *et al.* (1995b) review. However, in line with Krippendorff (2004) the sampling units are reviewed first, to allow for a more direct comparison and discussion on the often conflated choices of context and recording units.

5.9.1 Sampling units

According to Krippendorff (2004) sampling units, “are units that are distinguished for selective inclusion in an analysis... Content analysts must define sampling units so that (a) connections across sampling units, if they exist, do not bias the analysis; and (b) all relevant information is contained in individual sampling units, or, if it is not, the omissions do not impoverish the analysis” (pp. 98-99). One of the first decisions to be made, therefore, when undertaking CA is that of the sampling units.

It seems that “the majority of studies into CSR worldwide... have used corporate annual reports as the exclusive sampling unit” (O’Dwyer, 1999, p. 227) and a number of reasons for this have been put forward in the CSR literature. The AR is, “the most widely distributed of all public documents produced by a company” and it “can be accepted as an appropriate source of a company’s attitudes towards social reporting” (Campbell, 2000, pp. 84-85; see also similar arguments by Gray *et al.*, 1995b, Woodward *et al.*, 2008). It has also been argued that ARs are the single most important source of information on corporate activities (Adams *et al.*, 1998). Further,

from an accounting perspective, explanations are most frequently being sought for voluntary CSD in the ARs (Savage *et al.*, 2000)³².

It has been argued, however, that the focus on the employment of ARs may result in an incomplete representation of the quantum of CSR (Zéghal and Ahmed, 1990) since these are not the only medium through which companies report their socially responsible behaviour, a view empirically supported by Unerman (2000a), Frost *et al.* (2005) and Guthrie *et al.* (2008). Erusalimsky *et al.*'s (2006) affirmation that, "in the years since 1990... the rise in the number of voluntary standalone reports has been astonishing" (p. 12) and Guthrie *et al.*'s (2008) finding that, "companies may use the annual report and corporate website for reporting different types of information" (p. 40) gives further support to Unerman's (2000) conclusion that, "future studies focusing exclusively on annual reports might not produce particularly relevant results" (p. 674).

As a consequence, a number of CA studies now increasingly employ CSR sources in addition to, or other than, the ARs as their sampling unit. Quite frequently standalone reports are employed (see e.g. Laine, 2005; Jones, 2006; Turner *et al.*, 2006; Bebbington and Larrinaga, 2007), although concerns have been expressed for the use in their analysis of the same protocols employed in the ARs (Erusalimsky *et al.*, 2006). A number of studies also employ information from the Internet (e.g. Esrock and Leichty, 1998; Adams and Frost, 2004; Patten and Crampton, 2004; Unerman and Bennett, 2004; Turner *et al.*, 2006; Guthrie *et al.* 2008). The Internet represents a data source easier to be captured by index rather than volumetric approaches to CA, given its volatile nature (but note that Patten and Crampton, 2004, printed all the environmental disclosures identified and also applied a volumetric approach). Notably Zéghal and Ahmed (1990), Tilt (1994) and Unerman (2000a) have employed a much wider array of CSR sources as the sampling unit, including, e.g. brochures and advertisements and several internally circulated bulletins and other *ad hoc* documents published in each year (see also Lewis *et al.*, 1984, for a study considering publications to employees).

³²But note that, "the exclusive focus on the corporate annual report has been accused of being self-sustaining given that its exclusive choice is often justified in the literature on the grounds that this is what most other studies have done" (O'Dwyer, 1999, p. 229, a justification supported by Unerman, 1998).

Ultimately, the sampling unit for each study depends on the research objectives set (Unerman, 2000) and also on the adopted definition/context for CSR that determine the ‘population’ regarding which inferences are to be made. Considering that, in this study, a multi-case study research design has been employed and the emphasis is an in-depth investigation of the cases so as to develop explanations, a wider array of documents than for example, the sole focus on the AR, should be used. Nevertheless, as Unerman (2000a) points out, “a limit must be set to the range of documents included in any research study... [due to the risk of] a researcher being overwhelmed by the number of documents... [and of it not being] possible to ensure completeness of data” (p. 671. See also Campbell, 2004, for an account of feasibility factors that might also be at play). Further, it is almost impossible to identify all corporate communications that could possibly contain CSR information (O’Dwyer, 1999; Guthrie *et al.*, 2004) and it thus seems impossible to identify all the CSR activities of organisations. The use, therefore, of Annual and stand-alone reports as the sampling units in the present study can be justified, as these are (most often) publicly available and it might well be assumed that they contain the bulk of the disclosed CSR information. This is particularly so given that Internet resources could not be considered, due to the longitudinal and ‘archival’ character of this research (as section 5.9.1.2 indicates). The term Corporate Social Disclosure (CSD) is nevertheless preferred when referring to the findings of CA in the next chapters (i.e. to refer to the identified disclosure), so as to denote the possibility that not all CSR information has been identified.

Having considered the decisions on the documents to be employed in CA, the decisions on the industry and on the cases to be examined, which also pertain to sampling, are clarified.

5.9.1.1 Deciding on the industry

In this study the aviation industry was selected, because of its wide customer base and public visibility (Woodward *et al.*, 2008). Internationally, as the evidence from the KPMG (2005, 2008) triennial survey has indicated, the industry is among the

most prolific disclosers of CSD. In addition, aviation accidents generally create a large amount of negative news coverage for the object organisations since, all of a sudden, hundreds of people are losing their lives: the arguments are more ‘news worthy’, with a greater impact on the organisations’ overall reputation (Zyglidopoulos, 2001).

While the odds of being in a plane crash are nowadays distinctly low compared to other means of transportation, the chances of dying in such a disaster are notably higher (Weir, 1999). As Hutton (2000), following the Concorde crash, noted:

The interest in the emotional and the intimate has been steadily rising for years, and a disaster meets this mood as almost the perfect public event. It legitimises our individualistic society’s need to feel, and to do so, however shallowly, together. Of course, a plane crash is a more complete disaster than almost any other. Nobody settling into the cocoon of a plane journey does so without for an instant thinking about a crash.

It seems that W. Buffet’s argument that ‘it takes twenty years to build a reputation and five minutes to destroy it’ is particularly applicable in the aviation industry (Rowell, 2003). Aviation disasters appear to have a considerable negative impact on shareholder value and in credit ratings (Knight and Pretty, 1996). Such is the magnitude of these accidents that, following the increased public pressure, most airlines retire the number of their flight after the crash (Grossman, 2005). A number of major airlines, including Pan American - at one time the de facto flag-carrier of the United States – “have failed to recover from prolonged periods of crisis which were either precipitated, or worsened, by a badly-managed response to an aircraft accident” (Bailey, 2004), whilst some smaller aviation companies, may be even forced to go bankrupt or change their brand name (see e.g. Helios Airways aviation accident in Greece, 2005). Indeed, both Boeing and Airbus (the two major manufacturers of heavy passenger aircraft) have placed huge emphasis on the use of aviation safety equipment - now a billion-dollar industry in its own right - and made safety a major selling point, realising that a poor safety record in the aviation industry is a threat to corporate survival (Weir, 1999). As Deegan *et al.* (2002) note, “when significant events such as major environmental [or, in this case, social] disasters occur, or when there is a sustained mass media interest, then it is reasonable to assume that most managers would perceive that the organisation’s ongoing

legitimacy is threatened”. It is thus expected that aviation accidents constitute a major legitimacy threat and, therefore, their employment in this study is justifiable.

With regard to the decision on the time, as the discussion in chapter 2 has documented, the recent history of CSR is usually assumed to have started in the early 1970s (Gray *et al.*, 1996); early empirical studies in the period 1970-1980 were not specific in focus, and the specialist accounting journals which encourage research in this area were set up in the decade beginning in 1980 (Matthews, 1997). It is only over the mid-1990s that there has been major growth in related research (Deegan, 2002) and, as Gray (2002) further notes, it is from then that the “social accounting project is beginning to gain a maturity, depth and direction it has lacked for most of its history” (p. 696). Thus, the decision to examine companies’ CSR practices in the last decade can be justified in this sense.

The next section further explains that all the collected evidence relates to the period 1999-2003. These were quite turbulent times for the whole world and particularly the aviation industry, primarily due to the September 11th 2001 terrorist attacks and the subsequent US invasion in Iraq. As Scandinavian Airlines (2003AR, p. 25) notes regarding the September 11th events:

According to estimates by the UN International Civil Aviation Organisation (ICAO), passenger and cargo air traffic declined by 6% in 2001 compared with 2000. By comparison, the previous forecast was an increase of approx. 5%. 2001 thus saw the greatest decrease in global airline business since World War II. During the Gulf War, air traffic fell by 3%. Several airlines, which even before the attack were struggling financially, suffered acute problems resulting in shutdowns and bankruptcies. Many carriers have revised their forecasts, laid off thousands of employees and grounded a large number of aircraft (2001ER, p.20).

These events may thus be perceived as a ‘macro’-legitimacy threat, since they pertain to the legitimacy of the whole industry (and, to some extent, also of the system, considering that for the security at the airports primarily responsible are the states and not the airlines) and have thus been taken into consideration when interpreting the results.

5.9.1.2 Deciding on the cases to be examined

In order to decide on the cases to be examined, a number of criteria were considered. Given a) the availability of the companies' reports (checked against the records of the British Library, the companies' own websites, CSEAR's database and CorporateRegister.com), b) the intention to get the widest possible geographic coverage, c) the estimated time that each case would take to be analysed and reported, and d) the fact that, as Patten (1992) has suggested, larger firms face greater calls to legitimise themselves, it was decided to investigate overall five large company cases and in each case to check the Annual and standalone reports two years prior and after and for the year of the accident, to better capture the accident effect on the level of CSD.

Deegan *et al.* (2000) acknowledged that the selection of four (as in their case) or five (as in this study) reports around the incident is somewhat arbitrary. However, it is expected that "this should be sufficient to establish any variations in the extent of disclosure before and after an incident" and that this 'narrow window' will help "to reduce the possibility of other extraneous events influencing the disclosures" (Deegan *et al.*, 2000, p.117).

Consequently, the sample of the study includes the following organisations:

- British Airways - BA (examining the impact of the Concorde accident of their co-operator, Air France, 2000)
- Air France (Concorde accident, 2000, flight 4590, 114 fatalities)
- American Airlines - AA (2001, September 11th attacks and Flight 587, November 12th, 265 fatalities)
- Singapore Airlines - SIA (2000, Flight 006, 83 fatalities), and,
- Scandinavian Airlines - SAS (2001, Flight 686, 114 fatalities)

The rationale for this selection is that Air France, BA and SAS were in the top 4 largest airlines in Europe in terms of passengers as Figure 5.1 illustrates. Considering that the organisations were based in different countries (and SIA and AA were from non-European countries - Singapore and USA respectively), some tentative national

effects could also be researched. It should be noted, nevertheless, the major role in the selection of the cases played by the (un)availability of the data (which didn't allow for, e.g. TWA and Air China original choices to be investigated).

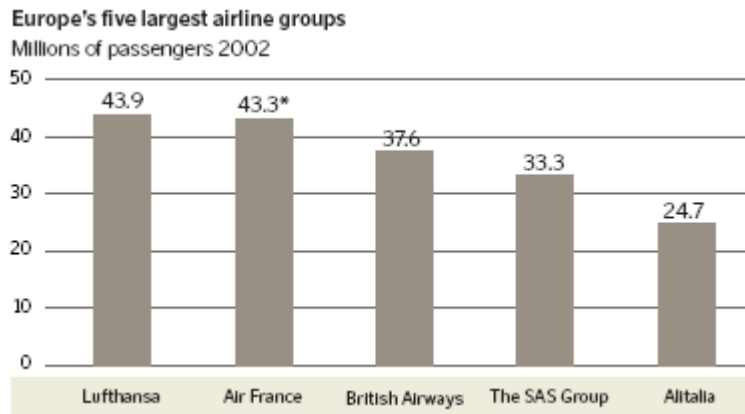


Figure 5.1 Extract from SAS (2002AR, p.13)

Deegan *et al.*'s (2000) assertion that, "an important point to note, when considering a corporation's reaction to an incident in the annual report, is the timing of the incident in relation to the release of the annual report" (p. 116), is further considered in this study. Thus, since "there is generally between two and three months between balance date and the date the reports are finalised" (Brown and Deegan, 1998, p. 28), the potential for an accident to occur between the company's end of financial year (e.g. 31st of March for BA) and the release of the ARs (e.g. around June for BA) will be considered. Further, it will also be taken into consideration the fact that, while the appropriate authority investigations for the causes of the accident take place, organisations are not permitted to disclose any information with regard to the accident. Following an examination of the cases, most accidents (with the exception of Air France) were found to have occurred after the companies' release of the ARs, in the next fiscal year, and well before the new balance date: for those, it is expected that the timing of the accidents has not impaired the undertaking of the research in this way. For Air France, the fact that the ARs was released at a time very near to the accident has been taken into consideration when interpreting the findings.

Having completed the review of the sampling units, the discussion moves on to the context units.

5.9.2 Context units

Context units are defined by Berelson (1952) as, “the largest body of content that may be examined in characterizing a recording unit” (p. 135). As Krippendorff (2004) elaborates:

the meaning of a word typically depends on its syntactical role within a sentence. To identify which meaning applies to a word from a list of dictionary entries, one must examine the sentence in which the word occurs. How else would one know, for example, whether the word go is meant to denote a game, an action, or a command? Here, the sentence is the context unit and the word is the recording unit (p. 101).

Unlike sampling units, which appear to be a widely accepted and undisputed term, “much of the discussion on the ‘unit of analysis’ confuses the issues of what should form the basis for coding with what should form the basis for measuring or counting the amount of disclosure” (Milne and Adler, 1999, p. 243, see e.g. Gray *et al.*’s, 1995b, assertion that, “Sentences are to be preferred if one is seeking to infer meaning... [but] Pragmatically, pages are... [an] easier... unit to measure by hand”, p. 84; see also Guthrie *et al.*, 2008 for similar arguments). Part of this confusion may be generated from the use of different, and at times opposite, terms from researchers (e.g. Milne and Adler’s, 1999, *coding units* are what Krippendorff, 2004, describes as *context units* and Neuendorf, 2002, as *analysis units*, whilst Milne and Adler’s *measurement units* are Krippendorff’s *recording/coding units* and Neuendorf’s *data collection units*, although see also Walden and Schwartz, 1997; Unerman, 1998, as cited by O’Dwyer, 1999, pp. 229-232 and O’Dwyer, 1999, for alternative interpretations). In this study, Krippendorff’s (2004) terminology is adopted, which is in accordance with a number of other prominent CA theorists (Grey *et al.* 1949; Berelson, 1952; Osgood, 1959; Stone *et al.*, 1966; Weber, 1985; 1990).

Most of the CA studies refer to a single unit of analysis, that being most frequently the recording unit for the volumetric studies and the context unit for the index ones. This is not surprising given that in the index studies, where most frequently the recording unit is the presence or absence of specific information, the unit that usually needs attention is the context one (see, e.g. Patten and Crampton, 2004, pp. 39-40, for an illustrative account on how sentences were used as a basis for coding in their

index). In contrast, for volumetric studies the recording units seem to be of more importance, whilst for the context units, since unlike sampling and recording ones they “are not counted, need not be independent of each other, can overlap, and may be consulted in the description of several recording units” (Krippendorff, 2004, p. 101), researchers do not often explicitly discuss their choices (but see Zéghal and Ahmed, 1990), and meaning is coded perhaps by section heading, phrase or sentence (Buhr, 1994; Campbell, 2004).

There seems to be no logical limit on the size of the context units: as Krippendorff (2004) notes, “sentences are the minimal context units for individual words, but sentences may not be enough” (p. 101), and at times, when, for example, decisions on a positive or negative context of a commentary are made, “analysts might need to examine even larger context units, such as a paragraph or a whole speech.... The best content analyses define their context units as large as is meaningful (adding to their validity) and as small as feasible (adding to their reliability)” (pp. 101-102). With regard to this, Milne and Adler (1999) argue that, “sentences are far more reliable than any other unit of analysis” (p. 243) and further assert that, “Most social and environmental content analyses in fact use sentences as the basis for coding decisions” (p.243).

Naturally, researchers need to clearly define their context units before commencing recording them. Abbot and Monsen (1979) seem to consider a prominent type of error in CA to be, “the formulation of categories that do not reflect all the issues actually contained in the report that are of... interest” (p. 506). As Holsti (1969a) points out, “categories should *reflect the purposes of the research*, be *exhaustive*, be *mutually exclusive*, *independent*, and be derived from a *single classification principle*” (p. 95, emphasis in original). As Milne and Adler (1999) empirically attest for inter-rater reliability, “by far the greatest proportion of disagreements concerned whether a particular sentence was or was not a social disclosure regardless of the coder. If coders had agreed to a sentence being a social disclosure (regardless of which theme) they were relatively unlikely to disagree over which theme, what sort of evidence and what type of news characteristics the sentence contained” (p. 252).

It thus seems particularly useful in CSR research to establish clear rules as to what consists CSR and what does not, a problem largely stemming from the variety of definitions of the field, that are “generally too exclusive... or too all-embracing” (Gray *et al.*, 1995b, fn4, p. 89). This variety of definitions is also reflected in the number of alternative terms that at times have been offered to even name the field, including: Corporate Social Reporting (Gray *et al.*, 1988; 1995a); Social Accounting (Gray, 2002; Gray *et al.*, 1997); Social and Environmental Accounting (Mathews, 1997; Gray, 2006); Social and Environmental Accounting and Auditing (Owen, 2004); Social and Environmental Accountability (Parker, 2005); Social Responsibility Disclosure (Trotman, 1979; Neu *et al.*, 1998); Corporate Social and Ethical Reporting (Adams, 2002); Ethical Reporting (Adams, 2004). Despite that these are all terms to refer to (what is here defined as) CSR, and that the adoption of a specific term for CSR may sufficiently serve the short-term needs of a ‘pragmatically-oriented’ research paper, it should be noted that this also adds to the long-term confusion over the terminology and the (much sought [Parker, 2005]) conceptual framework of the area. Naturally, the adoption of different definitions and resulted context categories further prohibits meaningful comparative analyses of the findings of the papers.

In the literature four major ‘themes’ (what Holsti, 1969a refers to as manifest subject of information, not inductively generated) for CSR are employed: marketplace (consumers, creditors), workplace (employees), community, and environment, but there will always be a need for a development of an ‘other’ category (Gray *et al.*, 1995b). This classification was also largely employed in the coding spreadsheet of the study, although the sub-categories and decision rules were customised to better reflect the study’s objectives, which for illustration purposes is depicted in Figure 5.2. In the development of the spreadsheet, the CSR classifications of Ernst and Ernst (1978) and Gray *et al.* (1995b) CSR were taken into consideration, as well as those of the GRI (2002), which Erusalimsky *et al.* (2006) consider, along with AA1000, to “perhaps represent the very base, the entry-level for analysing reporting in an even vaguely serious manner” (p. 19).

Figure 5.2 The coding spreadsheet of the study

CA PROTOCOL	POS.	NEG.	NEUTR.	TOTAL	SUB1	SUB2	SUB3	SUM	SYMB1	SYMB2	SYMB3	SUM	OTHER	TOTAL	MAND	VOL	TOTAL
A. HEALTH AND SAFETY																	
1. H&S at workplace																	
2. H&S at marketplace																	
3. H&S of community																	
4. H&S - Other																	
B. MARKETPLACE																	
5. Consumers																	
6. Creditors																	
C. WORKPLACE																	
7. Employee/pension data																	
8. Equal opportunities																	
9. Human rights																	
10. Consultation with Emp.																	
11. Share ownership																	
D. COMMUNITY																	
12. Com. involvement																	
13. Charities																	
E. ENVIRONMENT																	
14. Environm. pollution																	
15. Energy																	
16. Aesthetics																	
17. Environment - Other																	
F. OTHER																	
18. Value add. statement																	
19. Other CSR																	
TOTAL																	

Evidently this was a multiple classification protocol, in that each coding unit was classified into more than one category, based on the condition that each entry may have more than one attribute. It should be noted, though, that the gain from the adoption of this multiple classification in semantic precision does not outweigh the potential losses from logical distinctiveness and exclusiveness since, “not all entries need have the same attribute to the same extent” (Weber, 1990). This is particularly the case when latent, rather than manifest, classification schemes are examined, as further discussed in section 5.10

Further, it seems reasonable to take a more ‘pragmatic’ rather than ‘classical’ approach and suggest that the categories of each study should also reflect the research objectives: in the present study the categories reflect the focus on the CSD effects of aviation accidents and subsequently the Health and Safety disclosures, whilst for Deegan *et al.* (2002) the categories reflect their focus on Human Resources. Holsti (1969a) considers “reflect[ing] the investigator’s research question... [is] the most important requirement of categories” (p. 95) and warns that, “Unless theory and technique are intimately related, even the minimal requirements of validity cannot be met” (p. 94). This, however, should not necessarily be the case for general CSR surveys, where the adoption of a more ‘standardised’ approach may increase comparability and cumulative research (Berelson, 1952).

As indicated in Figure 5.2, when reviewing and deciding on the context units, all the alternative ways to define CSD need to be set and clearly defined. For this study further distinctions of the type of disclosure (positive or negative); and the possible underlying corporate strategy (3 substantive and 3 symbolic); as well as on whether CSD was mandatory or voluntary; and narrative or non-narrative, were developed (by synthesising earlier similar attempts in the literature and customising them to better reflect the study’s objectives) and included. This resulted in overall (19 choices of theme) x (7 choices of strategy) x (3 choices of type) x (2 mandatory/voluntary) x (2 narrative/non-narrative) = 1,596 possible choices for coding each individual CSD.

These distinctions are often called ‘categorical’, where units are defined, “by their membership in a class or category – by their having something in common” (Krippendorff, 2004, p. 105), and are by far those most frequently employed in CSR research. Common characteristics of these are that they can all be quantified; that, to a certain extent, they mostly focus on the manifest rather than the latent content and the syntactic and semantic dimensions of communication, and that they are all deductively defined (and thus, as opposed to subject categories, all relate to a theoretical framework [Stone *et al.* 1966]). Clearly, however, these approaches are not equally useful in contributing to CSR research. As Table 5.5 illustrates four types of categorical distinctions were identified in the review of the literature, one of them regarding the type of CSD (positive, negative and neutral) and three regarding the quality (monetary vs. non monetary; general vs. specific, and substantive vs. symbolic). Two of these are employed in all cases analysed in the study (positive vs. negative and substantive vs. symbolic) and are discussed in more detail next; an additional one, the mandatory vs. voluntary CSD, was employed for one case study and later aborted, as discussed in more detail in chapter 6.

Table 5.5 The CSR categorical CA distinctions

Categorical distinctions	Positive vs. negative	Bettman and Weitz, 1983; Brown and Deegan, 1998; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Deegan <i>et al.</i> , 2000; 2002; Patten and Crampton, 2004; Woodward <i>et al.</i> , 2008
	Monetary vs. non monetary	Adams <i>et al.</i> , 1995; 1998; Al-Tuwaijri <i>et al.</i> , 2004; Andrew <i>et al.</i> , 1989; Beresford and Cowen, 1979; Burritt and Welch, 1997; Chan, 1979; Davey, 1982; Ernst and Ernst, 1978; Gibson and Guthrie, 1995; Gray <i>et al.</i> , 1995b; Guthrie, 1983; Guthrie and Parker, 1990; Hackston and Milne, 1996; Ingram, 1978; Kuasirikun and Sherer, 2004; Milne and Adler, 1999; Niskala and Pretes, 1995; Patten, 2002b; Trotman, 1979; Ingram and Frazier, 1980; Walden and Schwartz, 1997; Wiseman, 1982; Zéghal and Ahmed, 1990
	General vs. specific	De Villiers and Van Staden, 2006
	Substantive vs. symbolic	Day and Woodward, 2004; Savage <i>et al.</i> , 2000

5.9.2.1 Positive vs. negative disclosure

As also discussed earlier under section 4.4.3, a number of CSR studies have often employed the positive vs. negative distinction for CSD, which is one of the earliest CA distinctions dating back to the 1640s and some studies of censorship (Stone *et al.*, 1966; Rosengren, 1981). There are, however, some ‘theoretical’ and practical limitations encountered when using this approach. In theory, for example, organisations may disclose a significant quantity of positive information to satisfy targeted stakeholders (Pfeffer, 1981) indicating a more opportunistic organisational stance towards CSR (Gibbins *et al.*, 1990), but they may also do so because this simply reflects their reported actions. And when conducting CA it is often difficult to, e.g. differentiate between positive and neutral disclosure and achieve consistency and comparability across studies. In these cases, as Weber (1990) underlines, “perhaps the best practical strategy is to classify each word, sentence or phrase in the category where it most clearly belongs” (p. 36).

It seems, therefore that positive or negative CSD when considered *per se* cannot contribute significantly to CSR analysis. On the contrary, more sustainable arguments seem to be built when the positive or negative CSD is related to similarly classified evidence from, e.g. news papers or periodicals, related to community concern (Guthrie and Parker, 1989; Deegan *et al.*, 2002), or when, as in the present study, the changes in this type of reporting are considered as potential reaction to major social accidents.

Following the discussion in section 4.4.3, and in order to empirically investigate propositions 3 and 4 (predicting that organisations will increase their positive and negative CSD following the accident), CSD was further classified as ‘positive’ or ‘negative’ or ‘neutral’, similarly to a number of other CSR studies (see Table 6.3). The definitions applicable to the categories of ‘positive’, ‘negative’ and ‘neutral’ environmental disclosure are similar to the ‘good news’ and ‘bad news’ definitions chosen by Hogner (1982), Deegan and Gordon (1996), Deegan and Rankin (1996), and Brown and Deegan, and are as follows:

- Positive: refers to information about corporate social and environmental activities which have a positive or beneficial impact upon society.
- Negative: refers to information about corporate social and environmental activities, which have a negative or deleterious impact upon society.
- Neutral: refers to information about corporate social and environmental activities, which neither have a positive/beneficial nor a negative/deleterious impact upon society.

Although the definitions of these categories were adopted from the aforementioned studies, the decision rules (provided in Appendix C) were customised, to better reflect the study's objectives and the choice of the aviation industry (*ex post* details of the employment of this distinction are provided in section 6.5.3). Naturally, this distinction is even more useful when viewed in relation to an approximation to CSD quality, as discussed below.

5.9.2.2 Substantive vs. symbolic disclosure

Often researchers attempt to assess the quality/evidence of the disclosure. Hammond and Miles (2004) offer a comprehensive account on quality assessment of CSR and note that what is most frequently regarded as quality disclosure is quantitative disclosure, third party verification and the adoption of reporting guidelines and standards. Most frequently CA index studies on the basis of disclosure/ non disclosure have been employed to assist in both third party verification (Ball *et al.*, 2000; O'Dwyer and Owen, 2005) and adoption of reporting guidelines (Jones, 2006; Moneva *et al.*, 2006; Turner *et al.*, 2006). This type of assessment, though, is limited "as this precludes assessment on scope, coverage, completeness, relevance, reliability, and other such desirable qualities of external financial statements" (Hammond and Miles, 2004, p. 64).

Whilst both third party verification and adoption of reporting guidelines are relatively new CSR research fields, CA studies employing the basic distinction of quantitative vs. qualitative have a long history and are frequently identified in the CSR literature. Behind this evidence, there is the intent of researchers to identify whether companies disclose hard-fact, substantial information or not. However, a major limitation of this distinction is that it is not normatively rooted; as Erusalimsky *et al.* (2006) note, “Content analysis got us so far but more substantive, explicitly normative templates would seem to be essential to guide future work” (p. 19). With regard to this distinction, it is uncertain whether all the quantitative information that companies disclose is of relevance (since, e.g. they may disclose some industry CSR data) or that all declarative statements are of less importance (e.g. description of policies adopted providing specific examples). Likewise, it is unlikely that the general vs. specific distinction that was also identified in the literature (De Villiers and Van Staden, 2006) would be of particular usefulness to CSR, considering that it brings some relatively limited benefits in context (by focusing on more normatively oriented, latent information) comparing to the limitations in validity (in the case of an index approach being employed, as in De Villiers and Van Staden, 2006) or reliability (from the otherwise possibly vague definitions).

A more useful CA distinction, based on LT, appears to be the substantive vs. symbolic distinction. This distinction was suggested by Pfeffer and colleagues (Pfeffer and Salancik, 1978; Pfeffer, 1981, see also Meyer and Rowan, 1977; Richardson, 1985; Ashforth and Gibbs, 1990; Suchman, 1995; Weisul, 2002 for related arguments) and has not been employed widely in the CSR context (but see Savage *et al.*, 2000; Day and Woodward, 2004, for exceptions). As discussed earlier in section 4.4.2, substantive legitimation involves, “real, material change to organizational goals, structures and processes, or in socially institutionalized practices” (Savage *et al.*, 2000, p. 48); whereas, symbolic legitimation on the other hand involves, “the symbolic transformation of the identity or meaning of acts to conform to social values” and is predicated on, “the acceptance of authority resides in the *belief* in the legitimacy of the order independently of the validity of that order” (Richardson, 1985, p. 143, emphasis in original).

Drawing on organisational theory and their own research, Savage *et al.* (2000) have offered 12 legitimisation strategies (three substantive and nine symbolic) which could also incorporate Perrow's (1970), Lindblom (1993) and O'Donovan (2002) approaches and are presented in Appendix D (I). However, when it was attempted to apply this framework as such in the present study it was quickly realised that some of the symbolic strategies were easily conflated and it was decided to merge some categories, adopt a more 'pragmatic' approach, and customise it to reflect the research questions, focusing on the impacts on CSR of detrimental activities. This resulted in the employment of six legitimisation strategies, as depicted in Appendix D (II). The new categories were thus less ambiguous, although it should be noted that two categories, those of role performance and the identification of symbols, ended up being used more often as will be discussed in more detail in the next chapter (section 6.5.4 - arguably, there is no way out of this unless complicated, exhaustive and time-consuming decision rules are established allowing for the use of more detailed categorisations). Appendix D (III) offers some examples on how these strategies are employed in the study.

The main benefit of this distinction, albeit categorical, is that it assists in identifying latent characteristics of the data. Further, since parts of these arguments may also lend support to other theoretical frameworks (such as institutional theory, business ethics theory, resource dependence theory and even image and competitive advantage arguments), the categories may also identify relationships between these theories and synthesise theoretical arguments underpinning CSR research (as in, e.g. Roberts and Chen, 2006). However, as in the case of positive vs. negative CSD, some theoretical inconsistencies may also arise from the adoption of this approach and, e.g. even more 'ethics'-oriented organisations, following a major legitimacy threat, may disclose increased symbolic, rather than substantive, CSD through admitting guilt and offering apologies. As also pointed out earlier, therefore, when this categorical approach is complemented with a clearly inductive one, in a mixed CA design as in the present study, this further brings some triangulation benefits to the analysis. The discussion of the qualitative CA of the study follows the one of the recording units of the quantitative CA, which is provided next.

5.9.3 Recording units

Recording/coding units are defined by Holsti (1969a) as, “the specific segment of content that is characterized by placing it in a given category” (p. 116). As Krippendorff (2004) elaborates:

Whereas sampling units are distinguished for inclusion in or exclusion from an analysis, ideally in a way that acknowledges natural boundaries, recording units are distinguished to be separately described or categorized. Thus recording units are typically contained in sampling units, at most coinciding with them, but never exceeding them (pp. 99-100).





























Whilst for the basis for coding researchers seem to concede that, “Sentences are to be preferred if one is seeking to infer meaning” (Gray *et al.*, 1995b, p. 84, see also Milne and Adler, 1999; Unerman, 2000), with regard to the basis for measuring, “once the content has been coded... quantification may be done in a number of ways” (Milne and Adler, 1999, p. 243). Indeed, researchers have at times employed a variety of different approaches to measurement, often justifying their choice on the considerable empirical evidence (Grey *et al.*, 1949; Patten, 1992; Deegan and Gordon, 1996; Deegan and Rankin, 1996; Hackston and Milne, 1996; Williams, 1999; Campbell, 2000), which gives support to the suggestion “that measurement error between various quantification techniques is likely to be quite negligible” (Milne and Adler, 1999, p. 243). However, as now illustrated, each unit has its distinct advantages and disadvantages that need to be considered when selecting units and interpreting results.

The four types of recording units considered here are words, sentences, proportion of pages and page size data³³. A summary of a number of issues of concern, drawn from

³³ Wiseman (1982) and Patten (2002b) also counted lines, in a complementary manner to an ‘index’ CA. Lines have also been employed by, e.g. Bowman and Haire (1975; 1976) and Trotman and Bradley (1981), but in order to estimate the proportion of the total discussion on all issues. Davey (1982, cited in Guthrie and Mathews, 1985, pp. 258-259) interestingly determined the volume of disclosures by calculating words as composed of five characters and a one character space (six characters in total), in essence a character-based quantification, similar to the one adopted by Tinker and Neimark (1987). Although it should be acknowledged that, particularly characters, could possibly bring extra precision in

the literature regarding these units, is provided in Table 5.6 and are discussed in more detail in the next sections, dedicated to the review of these recording units.

Table 5.6 Recording units' consideration of an array of issues of concern

		<i>Words</i>	<i>Sentences</i>	<i>% of pages</i>	<i>Page size data</i>
Issues of concern	Inclusion of images/graphs, Large typeface within report				
	Subjective measurements and internet				
	Report physical size and font size; margins and blank pages; pdf and microfiche forms				
	Detail in measurements				
	Ease, errors in measurements				
	Inclusion of tables				
	Grammar and repetition				

measurements, as Milne and Adler (1999) note for words, this “seems unlikely to add to understanding” (p. 243). It is further assumed that the arguments behind the potential use of these units are subsumed in the discussion of e.g. words or sentences. Further, Burritt and Welch (1997) counted passages/thematic units – an approach to measurement, however, highly contested, given that equal sovereignty was granted to issues discussed in one sentence with others in whole paragraphs, where further reliability is very difficult to be attained (Holsti, 1969).

5.9.3.1 Words, sentences and proportion of pages

As previously illustrated in Table 5.3, a number of CSR studies have employed words or sentences as the recording unit. As further illustrated in Table 5.6, these two approaches share a number of benefits and limitations and their interrelation has been empirically validated as early as 1947 (Dollard and Mower, 1947). Both approaches do not account for differences in typeface within the document (Hackston and Milne, 1996) or for repetitions in the information (Patten, 2002a). However, both approaches are also not affected by variations in the general font size of different documents (Tilt and Symes, 1999) or by the presence of margins or blank pages (Gray *et al.*, 1995b), nor yet by whether the sources are in an electronic (particularly Internet or .pdf files) or in microfiche form (Campbell, 2004). They generally seem to “lend themselves to a more controllable analysis” (Gao *et al.*, 2005).

Compared to sentences, words seem to have the advantage of being, “the smallest unit of measurement for analysis and can be expected to provide the maximum robustness in assessing the quantity of disclosure” (Wilmshurst and Frost, 2000, p. 16). As Krippendorff (2004) similarly argues, “To ensure agreement among different analysts in describing the coding/recording units of a content analysis, it is desirable to define these units of description as the smallest units that bear all the information needed in the analysis, words being perhaps the smallest meaningful units of text... and the safest recording unit for written documents” (pp. 100, 104). Further, words as the recording unit may also assist by allowing the inclusion of tables in the analysis (but see Hackston and Milne’s, 1996, approximation for one table line to equal one sentence, which allows tables also to be captured when using sentences as the recording unit).

A number of studies, though, have questioned the usefulness of the additional detail in measurements from employing words rather than sentences. Researchers note that the “tedious exactitude” (Patterson and Woodward, 2006, pp. 21-22) of words “seems unlikely to add to understanding” (Milne and Adler, 1999, p. 243) and put forward arguments for the use of sentences, since these are also, “easily recognizable

syntactically defined units of text” (Krippendorff, 2004, p. 105); they may be quantified with greater measurement accuracy (Unerman, 2000); they are thus subject to less inter-coder variation (Ingram and Frazier, 1980; Deegan *et al.*, 2002); and overall seem to be able, “to provide complete, reliable and meaningful data for further analysis” (Milne and Adler, 1999, p. 243).

A strong argument, however against employing either words or sentences as recording units, “is that this will result in any non-narrative CSR disclosures (such as photographs or charts) being ignored” (Unerman, 2000, pp. 675). As Beattie and Jones (1997) have argued particularly with regards to graphs, approximately 80% of leading US and UK companies use them in their ARs; these are more user-friendly than tables; and graphs, especially in colour, attract the reader’s attention; additionally “the reader’s ability to remember visual information is normally superior to that for remembering numerical or textual information” (Beattie and Jones, 1997, p. 34, a justification supported by Leivian, 1980). Photographs have also been used to present and highlight what companies wish to portray (Preston *et al.*, 1996) and it seems that the role of graphic representation in corporate external financial reporting is being recognised increasingly by a number of national regulatory bodies, such as the Canadian Institute of Chartered Accountants (Beattie and Jones, 1997). It is thus evident that this information needs not to be excluded from CA studies (see also similar arguments by Berelson, 1952; Stone *et al.*, 1966).

In an attempt to capture this valuable non-narrative information, a number of researchers employ proportions of a page as the recording unit. Researchers frequently lay an A4 grid with twenty-five rows of equal height and four columns of equal width (but see, e.g. the different A4 grids of Guthrie and Parker, 1989; Hackston and Milne, 1996; and Newson and Deegan, 2002) across each CSR disclosure, “with volume being counted as the number of cells on the grid taken up by a disclosure” (Unerman, 2000, p. 676). The main benefit of this approach, other than capturing the information provided in a pictorial, tabular, graphic or large typeface form, is that it generates detailed

measurements and comparable findings across reports of the same and different companies.

The proportions of a page approach, however, has been also criticised for a number of reasons, mainly because it takes as data only dictated attributes of the content (statements about the content made by the analyst or participants in the research) and not the content itself, which results in arbitrarily created visual recording units (Ekman *et al.*, 1969; Paisley, 1969). Further, given that “it is difficult to place an objective measure on pictures and diagrams” (Deegan *et al.*, 2000, p. 118) researchers often find it difficult to decide on whether this information is CSR or not, and then on how to classify it. As Newson and Deegan (2002) note, “in a number of cases, the expert coder regarded photographic evidence referring to employees in a work environment as less relevant than photographic evidence highlighting employees celebrating acts of achievement” (p. 193). In addition, as Wilmshurst and Frost (2000) note, although arguably pictures may be worth a thousand words (but which words?), “to include them in a measure based upon an unweighted word count is highly subjective” (p. 17).

Further limitations of the proportions of a page approach include that it is affected by different font and page sizes (Tilt and Symes, 1999; Woodward *et al.*, 2008); that an additional area of subjectivity is introduced with regard to the treatment of margins and blank pages (Gray *et al.*, 1995b; Unerman, 2000); that the approach is as similarly affected as words and sentences by the differences in grammar and repetition³⁴ (Patten, 2002a); that the additional thoroughness and effort required in the use of the grid for recording increases the possibility for measurement errors (Milne and Adler, 1999); and that it is impossible to directly record data in an electronic (e.g. Internet or pdf) or microfiche form (Campbell, 2004). It should be noted that, even if it is attempted to print (as Patten and Crampton, 2004, did) or type (as Ingram and Frazier, 1980, did) data in one of these forms, this would still result in some distortion to the size and context (e.g. margins, font and page sizes are often affected). Thus, the inherent limitations of this

³⁴ Although Unerman (2000a) points out the possible limitations arising from differences in the use of grammar when he discusses sentences, it should be noted that grammar and repetition are context issues and thus affect all recording methods.

approach lend support to researchers to reject it and, albeit acknowledging the losses from the exclusion of pictorial or graphical evidence, to adopt words or sentences as recording units.

5.9.3.2 Page size approach

In an attempt to employ an alternative and more valid method for CSR measurements, a number of studies adopt, implicitly or explicitly, a page size approach (where “the written and pictorial part of a page... [is] considered to be the page itself”, Gray *et al.*, 1995b, fn16, p. 90). The basic tenet of this analysis is that when measuring the extent of disclosures, the collected data should be considered in conjunction with the physical source from which they are extracted. Most frequently researchers attempt to estimate CSD as proportional to the whole discussion in the report, often on a line-by-line (Bowman and Haire, 1975; 1976; Trotman and Bradley, 1981) or on a sentence-by-sentence (Salama, 2003; Hasseldine *et al.*, 2005) basis. However, even when authors such as Dierkes (1979) report that they measure the extent of CSD in number of pages of each report (or as quarters of a page of each report, as in Gibson and Guthrie, 1995), this implies that a page size, rather than a standardised proportions of an A4 page approach, was adopted. Major limitations of this approach are that researchers do not seem to include pictures when employing it and, even more importantly, that it would have been meaningless to adopt it in a research examining stand-alone CSR reports, where it has been suggested (Buhr, 1994) that coding should commence on the assumption that everything should be considered CSD apart from some pre-specified information.

Hackston and Milne’s (1996) study is a potentially more credible adaptation of a page size approach. The authors originally sentence-coded and measured their data sets and then constructed an approximation to page measurement from these data: firstly, “the average number of sentences per page of the chairman’s report for each AR was calculated. The average for each report was then divided into the total number of social disclosure sentences for that report to produce a derived page measurement for each

company” (p. 86). Despite their acknowledged crudeness of this measure, when some refinements are made to it (more sentences from pages containing non-pictorial information are included in the estimation of the average and a detailed page-adjusted grid is also employed to account for the space of non-narrative disclosure)³⁵ it may provide more valid results than the proportion of page approach.

As illustrated in Table 5.6, this approach is not affected by the report or font sizes, neither by the margins and blank pages, and although it provides less detailed measurements, it is easier to measure and further is not affected by a possible pdf/microfiche form of the text (even if printing affects the documents’ size, it still has no effect on page size measurements). It thus seems to capture the information identified as CSR in a more valid way than the proportion of page approach (particularly given its triangulation benefits from the additional use of sentences) and to further generate more reliable results. However, given that the generated data are in a page size and not in a standardised A4 page form, this implies that the derived measure (similarly to the proportions of the report one) could provide meaningful average CSD approximations, but crude aggregate figures unless the average sentences per report of all added derived measures is known and adjustments are made; thus for the purposes of a database such as the one of the Centre for Social and Environmental Accounting Research (CSEAR), the employment of standardised proportions of A4 pages is deemed more suitable to avoid tedious adjustments.

The present study utilises a refinement to Hackston and Milne’s (1996) page size approach. To further increase the validity of their instrument, all pages containing solely narrative information were considered for the calculation of the number of sentences per page (i.e. to get an accurate approximation of how many images of that report would ‘fit’ in the same space). Further, for the reports in hard copy, as illustrated in Figure 5.3, a clear plastic A4 acetate was employed to draw a page-size grid with eight rows of equal height and five columns of equal width and the proportions were estimated to the

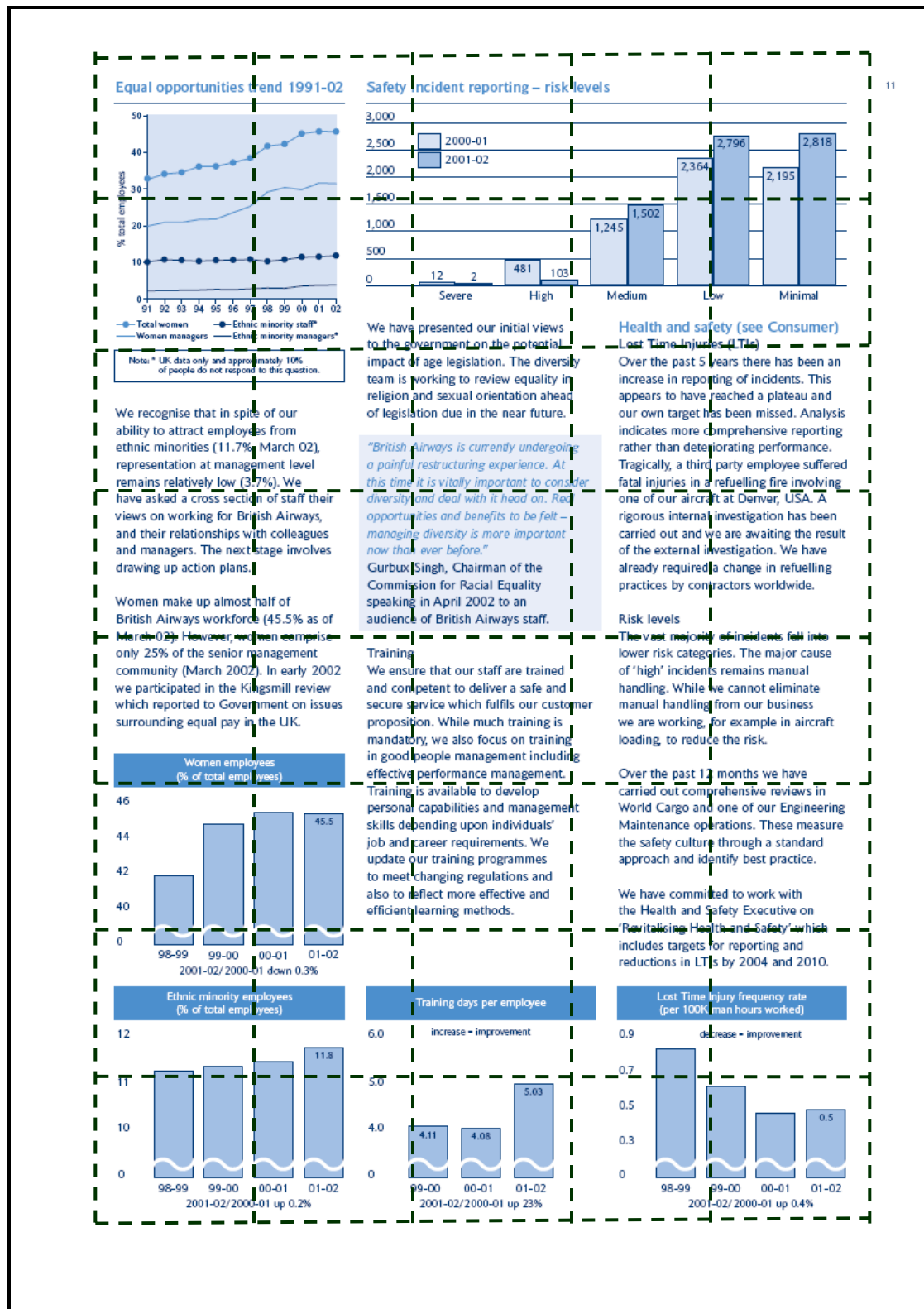
³⁵ Tinker and Neimark (1987) in an attempt to develop an aggregate textual and pictorial character measure of CSD “by counting the number of textual characters that would fit into the photographs that address the subject” (p. 80) seem to employ a similar measurement approach.

nearest 1% of a page (for the documents in electronic form a specialised .pdf reader software, incorporating a detailed 25x35 cell ‘grid’ view, was employed)³⁶. Despite the fact that the page grid employed for the data in printed form was not as detailed as the ones employed by Gray *et al.* (1995b) or Unerman (2000a), (but was still significantly more detailed than quantifications on the basis of the nearest tenth or even quarter of a page [e.g. Guthrie and Parker, 1989] that seem to have been employed in a number of earlier studies [Hackston and Milne, 1996]) – since only tables, images and narratives in large typeface were recorded in this manner – it was considered that the use of a more detailed grid would add more to the possibility of measurement errors rather than to the validity of the findings.

By thus additionally considering the pictorial information and by employing multiple approaches to measurement (sentences, pages and proportions of AR), it was expected to better measure the identified CSR information and improve the validity of the inferences. This was essential given the propositions of the study, focusing on measuring the change in the levels of CSR following the relevant accident.

³⁶ Note that a number of practicalities may arise when it is attempted to estimate the ‘average’ page size, both in terms of sentences and in terms of written and pictorial space of the report: e.g. in BA (2000) there seem to be two main types of page, including on average either 24 or 44 sentences, in which case a weighted average number of sentences per page was estimated. A similar approach was employed to estimate the average page size grid of the report to measure the pictorial space.

Figure 5.3. An illustration of the employment of a 6X8 grid on a BA (2002, p. 11) report page to estimate page size data



5.10 Thematic distinctions

Although Boyatzis (1998) considers that, “a theme may be identified at the manifest level or at the latent level”, Berelson (1952), Holsti (1969a) and Krippendorff (2004) seem to agree that thematic distinctions, as opposed to the categorical distinction of the ‘theme’ (the subject) of the disclosure described in CA protocols, such as the one depicted in Figure 5.2, refer to “unitizing freely generated narratives thematically” (Krippendorff, 2004, p. 107). Two such approaches were identified in the literature, being those of Miles and Huberman (1994) and Bebbington and Gray (2000). Both did not take a quantitative form, therefore may consist of a CA in the broader view (i.e. encompassing both quantitative and qualitative approaches to analysis), as defined by Stone *et al.* (1966), Holsti (1969a,b) and Krippendorff (1969).

This section focuses on the qualitative analysis of the study, which is principally informed by these two approaches. A review of the ‘quantising’ approach by Huberman and Miles is provided first. Then, Bebbington and Gray’s (2000) approach, building on Huberman and Miles, is introduced, and the way it informs the qualitative analysis of the present study is explained.

5.10.1 ‘Quantising’ by Miles and Huberman (1994)

In this project, the approach to data analysis suggested by Miles and Huberman (1994), and which Ritchie and Lewis (2003) have adapted and graphically represented as an analytical hierarchy of the stages and processes in qualitative analysis (see Appendix A), has been largely adopted. This ‘quantising’ approach of Miles and Huberman (1994), similarly to the works of King (1998) and Lillis (1999), involves primarily three forms of activity: data management in which the raw data are reviewed, labelled-coded, sorted and synthesised; descriptive accounts in which the analyst makes use of the ordered data to identify key dimensions, map the range and diversity of each phenomenon and

develop classifications and typologies; and explanatory accounts in which the analyst builds explanations about why the data take the forms that are found and presented (Ritchie and Lewis, 2003).

CSR authors have adopted this analytical perspective with variations regarding the precision with which they conducted each stage of the analysis. Owen *et al.* (2000), Woodward *et al.* (2001), Adams (2002) and Roslender and Fincham (2004) presented their findings by set preposition, or under interest topic, implying at least the use of the identification of initial themes and sorting data by theme or concepts steps of the hierarchy, and then moved straight to develop explanations. O'Donovan (2002) identified themes and patterns, detected cross patterns with his quantitative data set and moved to develop explanations, applying rather loosely the analytical hierarchy, although he followed a systematic approach to combine the qualitative with the quantitative data in the analysis stage. O'Dwyer (1999; 2002; 2003; 2004) on the other hand, explicitly adopted the Miles and Huberman's (1994) approach by identifying underlying themes, developing a coding scheme, summarising and synthesising data, identifying cross-case patterns in the data and detecting regularities and developing explanations for the evidence collected. He was also cautious in the last-generalisation-step to avoid presenting a, "smoothed set of generalisations that may not apply to a single 'interview'" (Huberman and Miles, 1994, p. 435) and made efforts to preserve the uniqueness of certain individual interviews (see particularly O'Dwyer, 2004, for a more detailed and focused description of his approach).

The distinct benefits of this approach include that it offers a simple, grounded and therefore, quite valid approach to qualitative analysis, which allows for all variation in themes and topics to be revealed and captured. This is particularly useful when exploratory research is conducted and the widest possible variety of themes is sought. Further, although this method of data analysis is primarily qualitative, as Easterby-Smith *et al.* (2002) note, "it is still possible to introduce some element of quantification into the process" (p. 119), particularly when employing some computer-aided qualitative analysis software. Despite how valuable Huberman and Miles' (1994) approach had

been for the studies utilising it, though, it is not adopted, as such, in the present study. The three forms of activity identified by Huberman and Miles (1994) (data management; descriptive accounts; and, explanatory accounts development) are employed here; further, their approach has principally informed the undertaking of the development of descriptive accounts and explanatory accounts activities; however, their more ‘grounded’ approach to data management, where data are reviewed to identify themes and topics to develop codes, is not shared in this study.

As discussed in detail earlier under section 5.4.2, Yin’s (2009) approach to multi-case study explanatory analysis has been adopted. The primary objective of this approach is, “to provide analytical evidence about the empirical validity of the underlying theory” (Savage *et al.*, 2000, p. 51), and, to use the pre-specified theory “as a template with which to compare the empirical results of the case study” (Yin, 1989, p. 38), rather than to take a completely grounded approach and attempt to build a theory, as Huberman and Miles’ (1994) approach to data management would entail. Although it could be argued that this decision possibly threatens the validity of the analysis’ findings, as further explained below, the emphasis is still on explaining all the data: if the outcome of a case is not as predicted, then the theory must be modified and theory development takes place. As the discussion below illustrates, Yin’s (2009) approach to qualitative analysis used in this study is closely related to the one used by Bebbington and Gray (2000).

5.10.2 The variation of Bebbington and Gray (2000)

The purpose of Bebbington and Gray (2000) study was, “to explore how the concept of sustainable development has been written about by United Kingdom corporations in their environmental reports” (p. 2). Drawing upon the social constructionism literature, the authors employ a so-called ‘semiotic analysis’, in an “attempt to categorise and explain disclosures regarding sustainable development”; and “four areas are focused on in order to dissect the nature of the accounts constructed” (p.2).

Bebbington and Gray's (2000) methodological approach was similar to Huberman and Miles' (1994) in a number of ways: all three forms of activity identified by Huberman and Miles (1994) were undertaken; following data management, some descriptive categories were created; and, following the synthesis of the data, explanatory accounts were developed. With regard to data management, though, Bebbington and Gray (2000) seemed to have implicitly followed Yin's (1989) approach.

Bebbington and Gray (2000) follow a three-step approach to data management: The authors firstly describe their research questions and explain what data need to be collected to address them: e.g. for their research question relevant to 'who appears to be educating corporations about sustainable development', the authors explain that this issue "is addressed by examining the various definitions of sustainability which are used by corporations and by studying which organisations are influencing companies' understanding of sustainable development (p. 20). Then, the so-called 'semiotic' categories are developed, based on the research questions and the literature: e.g. with regard to the above research question, various sustainability definitions are drawn from major organisations that possibly influence the examined companies' stance. Subsequently:

an examination of the disclosures using these categories was then undertaken and an initial identification and classification of these disclosures attempted. These initial categories, however did not prove sufficient for analysis... as a result, the categories were further refined drawing again from the relevant literature... [and] were also added inductively from the analysis of the environmental reports themselves (pp. 21-20).

Thus, the data management approach adopted in Bebbington and Gray's study is in accord to both 'pattern matching' and 'explanation building' qualitative analysis techniques, dictated by Yin (2009) for multi-case explanatory research designs. Pattern-matching was implicitly employed by Bebbington and Gray as a final step for their analysis. According to this technique, an empirical pattern is compared with a predicted pattern, following the theoretical propositions of the framework. In explanatory studies, the patterns may be related to the dependent (i.e. social and environmental disclosures in

the form of legitimization strategies) and independent (i.e. adverse news media reports and legitimacy gaps) variables. If the patterns coincide, the validity of the study is strengthened (Yin, 2009).

Yin's (1989; 2009) approach to 'explanation building', also adopted by Savage *et al.* (2000), seems to have further been implicitly employed in Bebbington and Gray's analysis. The explanation building technique is suitable for explanatory case studies and the objective is to build a general explanation that fits each of the individual cases, even though the details of the individual cases may vary (Yin, 2009). Evidently, following 'pattern-matching', by noticing that some data could not have been explained by their initial categories, Bebbington and Gray (2000) re-visited those, and thus, modified their theory, in an attempt to explain all the data, in accord with Yin's (2009) 'explanation building' suggestions.

In contrast to Miles and Huberman (1994), Bebbington and Gray's approach employs originally theory-driven 'pragmatic' codes and thus, despite the subsequent attempts to explain all text, this still damages the method's qualitative orientation. Further, it should be noted that undertaking this analysis is time consuming, albeit considerably more time efficient than the Miles and Huberman approach. An additional limitation may be that this approach is not as easily quantified as that of Miles and Huberman, since usually a smaller number of codes is generated. Still, this approach is in accord with Holsti's (1969b) suggestion for, "continual moving back and forth between data and theory" (p. 116) and even when not coupled with quantitative analysis, it can still provide the research with a particularly useful qualitative perspective. Most importantly, since 'pragmatic' categories are employed, this approach addresses the concerns over the propositions of the study not being particularly useful, in identifying the specific OL variants towards CSR, since in this complementary analysis the OL variants can be utilised as 'pragmatic' codes and the whole text can be scanned for supporting or otherwise evidence.

Consequently, Bebbington and Gray's (2000) approach to qualitative analysis has been adopted in this study, considering its suitability to the purposes of this explanatory research (and also for the reasons of being a more 'pragmatic' and time-economic approach than that of Miles and Huberman), within Yin's multi-case explanatory research design. The Annual and stand-alone reports employed for the quantitative CA of the study are also employed at this stage. Firstly, the 'pattern-matching' categories are developed, based on the four OL variants of the developed framework in chapter 4. Then, the 'pattern-matching' activity is undertaken as many times as necessary in order to refine the categories so as to explain all the data. Subsequently, the descriptive accounts of the study are generated, synthesising all the collected evidence under the developed categories; and finally, the explanatory accounts are generated from the descriptive ones and inferences to the OL framework are made.

Nevertheless, in addition to adopting Bebbington and Gray's approach (and thus their 'pattern matching' and 'explanation building' techniques), two more of Yin's (2009) analytic techniques inherent in the longitudinal, multi-case research design of the study have been employed: time-series analysis and cross case synthesis³⁷. Time-series analysis allows tracing changes in variables over time and is evidently primarily used in quantitative CA to investigate the propositions; however, this technique is also used in qualitative CA in conjunction with the 'pattern matching' activity, to trace these changes over time and further inform the findings. Considering that five cases are investigated, cross-case synthesis of the findings from each case is also necessary and further improves the robustness of the inferences (Yin, 2009). The cross-case analysis of the study is presented in chapter 8 and, following Yin's suggestion, this is based on, "the creation of word [in addition to the numerical] tables that display the data from the individual cases according to some uniform framework" (p.156). It was thus expected that adopting a variety of analysis techniques from the study with the most coherent and comprehensive approaches to multi-case explanatory research (i.e. Yin's study, as

³⁷ Yin (2009) in total recommends five analytic techniques. The only one not employed here is the 'logic models' which largely resemble experiments and is thus not particularly suitable to this research, as also discussed in session 5.4.1.

suggested by Colbert and Spicer, 1995 and Savage *et al.*, 2000), would allow for a more in-depth investigation of the cases and more valid inferences via the framework.

5.11 Summary

This chapter has provided an *ex ante* review of the adapted CA approach and has discussed in more detail the research design, data collection and analysis methods of the study. The study's methods involve a longitudinal adaptation of Yin's (2009) multi-case study, explanatory research design, with Annual and stand-alone reports as data, and both quantitative and qualitative CA as data analysis methods. The findings of a systematic review on the employment of CA in CSR literature, conducted for the purposes of this study were primarily discussed. The conclusions that may be drawn from this review are related to three areas of concern.

Firstly, with regard to the index vs. amount/volume approaches, it seems that nowadays, with so much CSR information disclosed, volumetric studies may contribute more to the analysis than index ones. Index measures, however, do have some distinct advantages over volumetric ones in that, to the extent that the presence or absence of specific information is sought, particularly when, "what is not disclosed [is] seen as important as that which is" (Adams and Harte, 1998, p. 783), they are not significantly affected by contextual issues, such as repetition or grammar; and since they, further, have clearly defined measurement units they are more reliable. Nevertheless, a volumetric approach to CA has been adopted in this study, given the nature of its propositions.

Secondly, with regard to the units of analysis, then similarly to Unerman (2000a), it should be noted that the selective use of information, relative to both the sampling units (e.g. exclusive use of ARs) and the recording units (e.g. exclusive consideration of narrative CSD), limits significantly the validity of the findings. With regard to the sampling units, issues such as the choice on the industry (aviation), the timescale (five years), and the companies to be investigated (BA, AF, AA, SIA and SAS) were clarified in the chapter. Further, as regard to volumetric recording units, it seems that, at least in

theory, page size data are superior to proportion of page data (particularly considering that the former count the narrative information in some textual unit, whilst the latter measure it in essence, in terms of square centimetres) and this approach (following a refinement to the one originally suggested by Hackston and Milne, 1996) has been consequently primarily employed in this study. In addition to page size data, sentences and proportions of the AR are also employed as measurement units to increase the validity of the findings.

Thirdly, with regard to the ways to define CA units, two ‘categorical’ distinctions have been adopted throughout the study, one of the regarding the type of CSD (positive vs. negative) and the other regarding the quality (substantive vs. symbolic). The thematic approach by Bebbington and Gray (2000) is also adopted along with a number of Yin’s (2009) recommended analysis techniques (i.e. pattern matching, explanation building, time series, and cross-case analyses). It generally seems that traditional distinctions, such as monetary vs. declarative, or even positive vs. negative, need to be complemented with more meaningful approaches. These can either take the form of explicitly normative templates that could be included in a CA protocol and be quantified (e.g. substantive vs. symbolic distinction) or take a more qualitative form, of a varying degree of structure, such as the two thematic approaches (Miles and Huberman, 1994; Bebbington and Gray, 2000) reviewed. In either case, when conducting qualitative CA it is equally important to follow a clearly justified and specified approach to the analysis, to enhance both validity and reliability of the findings.

Having presented and justified the methods of the study, the discussion can proceed to the next chapter. This is written from an *ex post* angle to the analysis and provides a reflective account of the data collection and analysis process, including some methodological findings.

Chapter 6

The employment of the methods-reflections and findings

6.1 Introduction

The previous chapter, written from an *ex ante* perspective, provided a justification and overview of the study's methods. This chapter, written from an *ex post* angle, provides some reflections on, and findings from, the use of these methods, with particular emphasis on CA, considering the research aims pertaining to the use of CA in CSR. Understanding how the analysis was conducted needs to be taken into consideration when considering the theoretical findings of the study in the subsequent chapters.

Firstly, some reflections and findings on the research design and the sampling units (data collection) are provided. The subsequent section considers the recording units. Then the discussion moves on to the study's context units, with reference to: reliability and validity; the theme of the disclosure; the positive/negative, substantive/symbolic and mandatory/voluntary distinctions; and the thematic analysis. Finally a summary of the chapter is provided.

6.2 Reflections on the research design

A couple of issues regarding the research design of the study may be discussed. These are the number of the case studies and the number of years involved. With regard to the former, it was felt that theoretical saturation had been reached whilst conducting and then completing the fourth case study. This concerned both the reviewed quantitative and qualitative evidence and, to some extent, is reflected in the findings. Therefore, and despite the undisputable unique attributes that each potential case contributes to the discussion, it was decided that the benefits derived from

investigating the additional case studies would be marginal and thus five cases rather than the six originally intended form the basis of this thesis.

The examination of five reporting periods, being two prior to, the year of, and two after the accident, is also an issue worthy of attention. Particularly with regard to the quantitative analysis it could be argued that Deegan *et al.*'s. (2000) approach (investigating two reporting years either side of the accident to also limit the possibility of “extraneous events influencing the disclosures” [p.117]) would be equally valid. The inclusion of a fifth year, however, allowed for the examination of the impact of the September 11th events (which for most of the companies took place during the third reporting period) on the companies' CSR and further contributed considerably in the qualitative analysis.

6.3 Reflections on the sampling units

With regard to data collection, the main issue of concern was data availability. This related to both the lack of comparative data to use as ‘secondary’ resources and the lack of data to be employed as ‘primary’ in the analysis. It should firstly be acknowledged the lack of comparative data to be employed, “as a form of control” (Deegan *et al.*, 2000, p.115) to exclude the possibility that the (expected) increase in the disclosure was a result of e.g. a general upward trend in the industry at the time. CSR surveys (such as KPMG, 2005, 2008) seem to conduct ‘index’, as opposed to volumetric studies and the only such database that could be employed (the one of CSEAR in St. Andrews) does not include data beyond 1999. This lack of comparative data was further confirmed, following conversations at conferences, by leading academics in the field, including Rob Gray.

To address this issue, Walden and Schwartz (1997) and Deegan *et al.* (2000) undertook some comparative industry analyses. Both these studies, however, employed considerably less detailed quantitative CA approaches (e.g. Walden and Schwartz only employed a single categorical distinction and ‘themes’ as recording units, whilst Deegan *et al.* used two categorical distinctions and sentences as recording units) and did not conduct complementary qualitative analyses. Primarily

due to the considerable investment in time, therefore, that undertaking such analyses would entail, given the detailed nature of the study's coding protocols, they haven't been employed in this research, similarly to Patten (1992) and Woodward *et al.* (2008), and the findings are hence subject to this limitation. Although the extended five year span of the study, as discussed in the previous section, has strengthened the comparability of the year-to-year findings and addresses this concern to some extent, it is acknowledged that the findings from the quantitative CA can only provide tentative evidence and thus not fully confirm, or reject the propositions. This is, nevertheless, consistent with the adopted 'middle-range thinking' philosophical approach of the study, where the primary concern is to generalise the results from the mixed methods used to the theoretical framework and not to a larger universe.

Primary data collection also posed problems and the data (un)availability even determined the choice on some of the case studies. It was quickly realised that, although companies usually keep an online record of their financial statements that goes back to the relevant period, they do not necessarily do so for their stand-alone CSR documents. And despite that several libraries in London (British Library, London Business School) and in Scotland (CSEAR in the University of St Andrews and the University of Strathclyde³⁸) were visited, and attempts were made to contact the companies directly, some responded by sending the missing documentation (SIA) and some others did not (notably Air France, which was the only case study to exclusively consider ARs for the analysis despite it was also publishing stand-alone CSR reports throughout this period. SIA's first environmental report was also not considered due to its unavailability).

Whilst conducting the analysis, one of the limitations of the decision not to consider alternative resources other than the Annual and stand-alone reports became evident, when it was discovered that AA had removed some sections from their AR, previously dedicated to employees, to post them instead on the Internet:

³⁸ It should be noted that one of the reasons to visit the library of the University of Strathclyde was that the ARs of that period that SIA had filed with the Companies House (and were obtained upon request in microfiche format) were abbreviated versions of their actually published Accounts, as available in hard copy in the aforementioned library. The ARs that BA had filed with the Companies House were nevertheless the same with their online versions.

You can read more about our efforts during 2000 in the Chairman's Letter on the opposite page. You can get a multi-media view of them on the CD-ROM that accompanies the annual report. And on our Web site... you will find the information that we traditionally have included in the shareholder, customer and employee essays of our printed annual report (2000AR, p.ii).

In studies such as the present one, the inability to include this information in the measurements is a limitation to the validity of the relevant inferences. However, this raises one more issue of general concern in CA: repetition. Indeed, in a number of cases it was found that companies repeated information across reporting media (e.g. the CSR information that both BA and SAS present in their ARs often summarises the relevant information in their stand-alone reports). And although for the purposes of this research a volumetric approach would still be more suitable (and where such repetitions were evident, they were interpreted and coded as 'symbolic' attempts to increase the amount of available information – see Appendix D and section 6.5.4), it could be argued that an index approach (as discussed in section 5.8) could better address this issue and generally provide a superior assessment for the quality and the breadth (but not the extent) of the reported information.

How important it is, nevertheless, not to limit the focus of CSR research by exclusively considering ARs, particularly when stand-alone CSR information is also publicly available, is evident when the Table 6.1 is considered.

Table 6.1 Source of CSD (in pages) in proportions

	Case study					Total
	<i>BA</i>	<i>AF</i>	<i>AA</i>	<i>SIA</i>	<i>SAS</i>	
AR	7%	100%	70%	100%	37%	43%
Social/ Environmental	58%	-	30%	-	58%	43%
Supplementary Data	35%	-	-	-	5%	14%
Total	100%	100%	100%	100%	100%	100%

During the five-year period the CSD in, e.g. BA's ARs (a company that published stand-alone CSR information throughout the five-year period, as is nowadays the norm for most larger organisations – KPMG, 2008), accounted for an average of only 7% of the Company's total identified CSD, whilst the Social/Environmental report accounted for over half. In the other cases, AR accounted for proportionately more CSD, but that was because companies were either not publishing stand-alone reports in the period (SIA), or for unavailability (AF) and discontinuity (AA, SAS) reasons.

These findings further support Unerman's (2000a) empirically verified conclusion that "future studies focusing exclusively on annual reports might not produce particularly relevant results" (p. 674). In general it seems that the stand-alone reports (and particularly the Supplementary Data ones, where all the information is in tabular or graphic form) operate as appendices to the ARs, and where frequent references to the former are made.

More discussion on how each reported medium was employed in respect of the context units is provided later in the discussion, following the section on the recording units, which is provided next.

6.4 Reflections on the recording units

Assigning codes and recording (measuring) the information took place simultaneously. Since it was difficult to record the information directly into the coding spreadsheet (Figure 5.2), a four-page recording sheet was developed and employed (shown in Appendix G). For each document (AR, social/environmental or supplementary data report) firstly the page-size information was calculated (the space in cells that the written and pictorial part of a page was covering and the average sentences per page – see Appendix F for details on the recording information) and then the relevant spreadsheets were prepared: one to record the number of sentences; a second to calculate the narrative information in pages; a third to record the pictorial information in pages; a fourth to calculate the total pages per report; and a fifth (for ARs only) to estimate the proportion per report.

Then the recording process followed. Firstly the pictorial information (including tables, graphs and images) was assigned a code and was measured using the .pdf grid (for the electronic) or the clear plastic grid (for the hard copies) and the results up to two decimals of a page were recorded at the bottom of each relevant box in the recording sheet. This was followed by assigning codes and recording the narrative information in sentences which involved using tallies of five, recorded at the top of each relevant coding sheet box. At the same time the collection of the qualitative evidence took place and when relevant information was identified it was copied into a dedicated word file. This activity provided a welcome break into the, other than that, quite time-consuming and rather tedious quantitative CA procedure, whereby four different coding decisions were made for each CSR sentence or pictorial piece of information in the examined documents³⁹.

The recording process confirmed concerns of researchers regarding the ‘crudeness’ of CA. For example, and in spite of the fact that detailed categorical distinctions were employed, a sentence of the type “[AA was] placed second out of 300 companies in the Gay and Lesbian Values Index, a ranking of the top companies for gays and lesbians seeking jobs and investment opportunities” (AA, 2001ER, p.24) would be worth the same with one of the 22 sentences (AA, 2001ER, p.21) detailing the various diversity employee groups (they would both be coded as equal opportunities, positive, substantive and voluntary). Additionally, it was found particularly challenging to develop a reliable measurement rule for recording information in bullet points since their length varied considerably (ultimately an arbitrary decision was taken to record them subject to their length compared to the average length of the sentences in the same page). The detailed approach made it possible to control for longer or shorter sentences (since the average sentences per page ratio was calculated) and for whether the information was included in the Annual or a stand-alone report (since the information was recorded in separate spreadsheets).

³⁹ For comparison purposes, e.g. Buhr and Reiter (2006) for a (to some extent) similar qualitative analysis of six stand-alone reports (130 pages in total), involving ‘scanning’ the whole text and identifying and classifying the relevant information to (an, albeit, greater than here number of) ‘frames’, recruited one more researcher to assist in undertaking the recording part of the analysis.

One of the further benefits of the CA approach was that it also considered pictorial, in addition to narrative, CSR information. Table 6.2 reveals how important it is to do so and lends support to Berelson (1952), Beattie and Jones (1997) and Unerman's (2000a) arguments. Pictorial information accounted for approximately half of the recorded disclosure across the three media. The information in the ARs appears to be equally balanced, whereas social/environmental reports contained proportionately more narrative information. Supplementary data consisted of only pictorial information (tables and graphs).

Table 6.2 The narrative vs. pictorial distinction per reporting medium

Type of CSD	Reporting Medium			
	AR	Social/ Environmental	Supplementary Data	Total
Narrative	53.9%	62.0%	0%	50.2%
Pictorial	46.1%	38.0%	100%	49.8%
Total	100%	100%	100%	100%

It should be noted that there are great differences among the sample companies in respect of this distinction. For example, and contrary to the average, the pictorial CSD in all SAS' social/environmental reports exceeds the narrative one. Likewise, AA appear to be the only company to consistently disclose considerably more pictorial, compared to narrative, CSD in their ARs. Whether this variation is due to factors such as, e.g. company policies or host country is unknown; however, the finding lends further support to the argument for all types of CSD to be considered, to allow for meaningful comparisons across companies or industries.

Although it was expected that these findings would have an effect on the relationship among the recording units that took into account the pictorial CSD (pages and percentage of AR) and those that did not (sentences), this was not supported by the findings shown in Table 6.3, reporting the correlation among the three recording units of the study. These statistics should be interpreted with caution though,

particularly since the three recording units (in the way employed here), are not independent of each other (i.e. both pages and then % of AR are calculated based, to a greater or lesser extent, on the number of sentences).

Table 6.3 Pearson correlation and the recording units

		Sentences	Pages
Pages	Pearson Correlation	.813**	
	Sig. (2-tailed)	.000	
	N	29	
% of AR	Pearson Correlation	.441*	.804**
	Sig. (2-tailed)	.017	.000
	N	29	29

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

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

All recording units are significantly positively correlated (albeit to a lesser extent than, e.g. Hackston and Milne's, 1996, reported correlations – which, however, did not consider pictorial information), indicating that when companies tend to increase their CSD in sentences, they also tend to do so in pages and in percentage of AR. Pages are found to be considerably highly correlated with sentences ($r=.813$, $p<.01$), despite that, for their calculation, the pictorial evidence and the average number of sentences per report are also considered. Pages, as expected, are further considerably highly correlated with the percentage of AR ($r=.804$, $p<.01$), since only the number of pages in the AR is additionally taken into consideration when determining the percentage of AR, which does not vary very much. Sentences are also positively correlated with the percentage of AR, although at a medium level ($r=.441$, $p<.05$), the difference potentially being attributed to all the above adjustments being taken into account when calculating the percentage of AR. As Table 6.4 illustrates, the high correlation between sentences and pages is mainly due to the high correlation between the narrative and pictorial CSD.



Table 6.4 Pearson correlation and the narrative vs. pictorial distinction

	Pictorial
Narrative Pearson Correlation	.640**
Sig. (2-tailed)	.000
N	38

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

This finding suggests that when companies increase their narrative CSD they also tend to increase that which is pictorial. Coupled with the evidence from Table 6.3, this could tentatively further suggest that year-to-year change (as in this study) could be measured by only considering narrative CSD. But this high correlation is illusive. Indeed, as Table 6.5 indicates, the three reporting units were not consistent in their direction (i.e. whether there is an increase or decrease in disclosure) in a number of year-to-year changes.

Table 6.5 Agreement on the direction of change in total CSD among the three recording units

Recording units	Agreement (or not) on the direction		
			%
Sentences/ Pages	15	5	75%
Sentences / % of AR	13	7	65%
Pages / % of AR	16	4	80%
All three recording units	12	8	60%

Note: total 20 = 5 case studies x 4 year to year changes per case

Table 6.5 largely reflects those results depicted in Table 6.3 in that, e.g. sentences-with-pages and pages-with-percentage of AR agree more often on the direction of the year-to-year change in CSD than sentences-with-percentage of AR. Importantly though, the table further reveals that, despite not being independent from each other and being highly correlated, in practice all three recording units agreed in only 60% (let alone the magnitude) of the year-to-year changes. At times the discrepancies were considerable: as the later discussion on the findings illustrates, in one reporting year AF's CSD in sentences decreased by 32% whilst in pages and in percentage of AR increased by over 20%. It seems reasonable, therefore, to recommend that future studies should employ a variety of recording units, as opposed to solely focusing on a single one, to ensure that they attain a more complete view of the data and are in a better position to evaluate and thus explain the variations in disclosure.

6.5 Reflections on the context units

This section provides some reflections on the application of the study's categorical (positive vs. negative; substantive vs. symbolic and mandatory vs. voluntary) and thematic distinctions. Firstly, however, some considerations about the reliability and validity of the coding procedures are provided.

6.5.1 Considering reliability and validity

The reliability and validity of the coding procedures have been considered in a number of ways. Weber (1990) and Krippendorff (2004) identify three types of *reliability* in CA: stability, reproducibility and accuracy. These are distinguished not by how agreement is measured but by the way the reliability data are obtained, as Table 6.6, adopted from Krippendorff (2004), illustrates.

Stability is the degree to which a process is unchanging over time and, "it is measured as the extent to which a measuring procedure yields the same results on repeated trials" (Krippendorff, 2004, p.215). It is generally perceived to be the weakest of reliability tests since it only looks at intra-observer inconsistencies;

hence, the focus of the reliability tests of the study is on testing reproducibility, which also takes into consideration intra-observer inconsistencies as the below Table 6. 6 illustrates.

Table 6.6 Types of reliability in CA

Reliability	Designs	Causes of disagreement	Strength
<i>Stability</i>	Test-retest	Intra-observer inconsistencies	Weakest
<i>Reproducibility</i>	Test-test	Intra-observer inconsistencies +inter-observer disagreements	Medium
<i>Accuracy</i>	Test-standard	Intra-observer inconsistencies +inter-observer disagreements + deviations from standard	Strongest

Source: Krippendorff (2004, p.215)

To examine whether stability was achieved across the coding process, three reports (an Annual, an environmental and a supplementary data one) that were originally coded at an early stage of the analysis, were re-analysed at a stage towards the end of the latter. To assess stability, Pearson's correlation coefficient (following Patten, 1992, and Milne and Adler, 1999) and Cronbach's Alpha were calculated. Although as both Lombard *et al.* (2002) and Krippendorff (2004) note, these two techniques only examine covariation (the degree to which two measures vary together) and not whether the same sentences are coded in the same way, they can still provide insights into how any potential un-reliability encountered in the data will affect the findings (Milne and Adler, 1999). The detailed findings of the tests are provided in Appendix H and summarised in Table 6.7 and they further inform the following discussion on the categorical distinctions. The average correlation coefficient of 0.995, nevertheless, compares favourably to Patten's (1992) 0.987, whilst the average Cronbach's Alpha of 0.998 as well exceeds Aerts and Cormier's (2009) 0.803 and

the literature's benchmark of 0.7 (Field, 2005; Pallant, 2005) – findings that indicate considerable stability of coding⁴⁰.

Reproducibility, also called inter-coder or inter-judge reliability, refers to the extent to which the same results are achieved by independent coders (Krippendorff, 2004). A number of techniques have been developed to test the reproducibility of CA, with the simplest being the percent agreement, which is, however, considered to be overly liberal, since it fails to account for agreement that would occur simply by chance (Lombard *et al.*, 2002). To account for this possibility, more complex techniques have been developed, such as Scott's (1955) Pi, Cohen's (1960) Kappa, Fleiss' (1971) revisited Kappa and Krippendorff's (1980) Alpha, but with the literature, nevertheless, not reaching a consensus on a single, 'best' index (e.g. Dewey, 1983, recommends Cohen's Kappa, whilst Lombard *et al.*, 2002, consider Krippendorff's Alpha more attractive). Hence, by employing related software⁴¹, in this study all five of these tests have been employed, in an attempt to ensure a more complete and accurate reliability assessment.

To assess reproducibility five independent 'judges' in the form of three PhD students and two lecturers at Kingston and Essex Business Schools were recruited and trained for 40 minutes. Four of the judges either had, or were studying for, a PhD in Accounting and Finance whilst the fifth one was a Law PhD student. The coders used the same coding protocols, recording instructions and grid to the ones employed in this study, to code and record the CSR content of a sample of extracted pages from the Annual and stand-alone reports (approximately 150 sentences to decide on the theme and type [positive vs. negative; substantive vs. symbolic and mandatory vs. voluntary] of CSD; on the whole comprising over 600 coding decisions for each coder).

⁴⁰ Note however that Cronbach Alpha values are quite sensitive to the number of items in the scale (Field, 2005; Pallant, 2005) and since large numbers have been employed in the calculations, the coefficients may have been favourably affected to some extent.

⁴¹ Since SPSS can only calculate Cohen's Kappa, online software developed at the University of Washington, Seattle, recommended by Lombard *et al.* (2002), which further calculates the percent (or coefficient of) agreement, Scott's Pi, Fleiss' Kappa and Krippendorff's Alpha was employed (available from: <http://dfreelon.org/utis/recalfront/>).

Table 6.7 summarises the findings of the reproducibility tests, presented in more detail in Appendix I and further discussed in the subsequent sections. When attempting to interpret these results, it should be noted that there are no established standards in determining an acceptable level of reliability. Neuendorf (2002) considers that, “coefficients of .90 or greater would be acceptable to all, .80 or greater would be acceptable in most situations, and below that, there exists great disagreement” (p.145); however, as Lombard *et al.* (2002, p.593) note, “lower criteria are usually used for the indices known to be more conservative”, such as the ones (other than the percentage agreement) examined here.

Table 6.7 Summary of the reliability tests

		CSD Theme	Positive/negative	Substantive/symbolic	Mandatory/voluntary	Total
Stability	<i>Pearson's Correlation</i>	.997	.993	.989	.998	.995
	<i>Cronbach's Alpha</i>	.998	.997	.994	.999	.997
Reproducibility	<i>Average % Agreement</i>	98.4%	94.6%	91.8%	99.1%	96%
	<i>Fleiss' Kappa</i>	0.979	0.84	0.738	0.966	0.941
	<i>Cohen's Kappa</i>	0.979	0.842	0.729	0.967	0.941
	<i>Scott's Pi</i>	0.979	0.842	0.726	0.967	0.941
	<i>Krippendorff's Alpha</i>	0.979	0.841	0.738	0.966	0.941

Nevertheless, there are two things to note at this stage when observing the table: first, the overall agreement among the 6 coders (in the ‘total’ column) is above .90 for all tests and the CA thus meets the reproducibility criterion. Secondly, regardless of the long debate over the ‘optimum’ technique to test reproducibility, the four most popular, ‘complex’ tests show almost no difference in their calculations and it would

appear that they could be employed interchangeably in most CA studies (but see Lombard *et al.*, 2002, for discussions on the tests' fine differences).

Accuracy is generally perceived to be the strongest reliability test, since in addition to assessing intra- and inter-observer discrepancies, it also takes into account deviations from the standard. However, as the discussion in the preceding chapter indicated, such a widely accepted standard in CSR does not exist. The CSR categories employed in the study are nevertheless based on GRI, Gray *et al.* (1995b) and other popular classification schemes. In order to ensure accuracy, several meetings were held with the research supervisor at Kingston Business School. In the first meetings, general guidelines in the development and application of the coding protocols were discussed. Once the coding strategy was finalised, the meetings focused on how to address more complex coding decisions. The coding of a sample of extracts from Annual and standalone reports was further cross checked and this process elicited the few differences identified.

Validity is a somewhat neglected area in CA, particularly since it is difficult to produce quantitative assessments of it. As Krippendorff (2004) notes, “a content analysis is valid if the inferences drawn from the available texts withstand the tests of independently available evidence, of new observations, or competing theories or interpretations, or of being able to inform successful actions” (p.313). Weber (1990) asserts that this involves the following two main issues:

- The validity of the concepts, variables, methods, data being investigated and the validity of the classification scheme or variables derived from it.
- The validity of the interpretation and relating content variables to their causes or consequences.

With regard to the former type of validity, this is satisfied through a thorough review of the relevant CSR literature (see particularly chapters 4 and 6), which culminated in the development of coding typologies based on the work of renowned authors in the field. In addition, in this study this validity is increased through the efforts demonstrated in the preceding chapter to ensure adequate understanding of the method and the procedures involved in coding by reviewing specialised CA reviews published throughout the last century by some of the method's most prominent

theorists. With regard to the latter type of validity, it should be acknowledged that it is quite difficult to be attested to; however, the employment of a qualitative form of CA, in addition to the quantitative one, and the further employment of techniques such as ‘pattern-matching’ and ‘explanation-building’ within case-study contexts, provide confidence in the validity of the results.

6.5.2 The theme of the disclosure

As in Milne and Adler (1999), the most difficult coding decision involved deciding whether a disclosure was CSR or not. Once this condition was satisfied, deciding on the theme of the disclosure was rather straightforward, compared to the more challenging positive vs. negative and substantive vs. symbolic distinctions. This is also reflected in Table 6.7, indicating that deciding on the theme was the most reliable distinction in terms of reproducibility and only second to the mandatory vs. voluntary CSD in terms of stability. Table 6.8 presents the findings in respect of this distinction across reporting media.

Table 6.8 The theme of CSD per reporting medium

Theme of disclosure	Reporting Medium			
	AR	Social/ Environmental	Supplementary Data	Total
H&S	13.6%	12.0%	25.0%	15.7%
Marketplace	14.7%	6.4%	11.7%	9.2%
Workplace	44.5%	8.7%	1.1%	12.9%
Community	3.5%	5.1%	0%	3.8%
Environment	16.7%	54.2%	60.4%	49.4%
Other	6.9%	13.7%	1.9%	9%
Total	100%	100%	100%	100%

The evidence provides support to Guthrie *et al*’s (2008) conclusion that organisations employ different sources for different reporting purposes: in this study, organisations

use the AR to communicate (in addition to their shareholders) with their customers⁴² and employees and the stand-alone publications to report on their environmental endeavours. Community and H&S CSD are relatively similarly represented across reporting media (but note that, with regards to the latter, the findings in the subsequent chapter reveal some great discrepancies in terms of year-on-year change).

A number of further comments can be made with regard to the specific themes and their categories. Some themes (i.e. human rights) were systematically not used by most of the companies, possibly because they were based on GRI, which has only recently been widely used. Other themes were popular with some companies and less popular with others (i.e. aesthetics and Value Added Statement were only popular with BA), possibly due to country influences. Some extra decision rules had to be created for the 'consumer' theme, to clarify when the relevant information was CSR or not (see relevant 'checklist' in Appendix Bi). Deciding on how much of the detailed 'corporate governance' sections could be CSR was equally challenging. These checklists were found to be very useful, particularly in the early stages of the analysis.

On the whole, it appears that the use of 19 coding themes was superfluous in the study and consequently, despite all of them having been utilised in the coding, the findings are presented in an abbreviated way, per disclosing category as in Table 6.8. It could be thus recommended that future studies sharing the objective of measuring year-on-year change of CSD should only focus on these customised categories (as in e.g. Cho, 2009). When conducting general CSR surveys, nevertheless, it seems more reasonable to adhere to Laswell (1949) and recommend using standardised categories to enhance the comparability of the findings to those of other studies.

6.5.3 The positive/negative distinction

When deciding on whether a piece of CSD information was positive, negative or neutral was not very straightforward, albeit it still met the set reliability benchmarks for all the taken tests. As Table 6.7 indicates, this distinction had the second lowest

⁴² Note that the information pertaining to customers in the investigated media is considerably higher but only a fraction of it has met the CSR inclusion criteria.

scores behind the substantive/symbolic distinction in all stability and reproducibility tests.

There were a number of difficulties in deciding whether a disclosure was positive, negative or neutral. For example, often in paragraphs discussing a topic the first sentence was positive or negative and the rest, explaining this news, if taken in isolation, were neutral. In these cases, in line with Patten and Crampton (2004), the sentences were coded in the same way with the first sentence of the paragraph (the nature of the news discussed throughout the paragraph). At times it was also difficult to distinguish between positive/negative impacts on the environment and society (as the set definitions entail) and the organisational performance. For example some CA ‘judges’ raised the issue that symbolic disclosures of the type “the company places considerable emphasis on internal communication” (BA, 2002AR, p.12), do not have positive impact on society unless accompanied by evidence. These discrepancies were nevertheless resolved when detailed decision rules were put in place, such as the examples in Appendix C. Table 6.9 provides a summary of the findings for this classification per reporting medium.

Table 6.9 The positive vs. negative distinction per reporting medium

Type of CSD	Reporting Medium			
	AR	Social/ Environmental	Supplementary Data	Total
Positive	64.8%	62.7%	28.2%	53.9%
Negative	12.6%	20.2%	61.0%	29.7%
Neutral	22.7%	17.1%	10.8%	16.4%
Total	100%	100%	100%	100%

It should be noted that the increased proportions of negative disclosure (almost 30% in total) comparing to most of the literature (e.g. Deegan and Rankin, 1996, and Woodward *et al.*, 2008) reflect the strict decision rules developed and employed in the study (see Appendix C). For example, disclosures about reduced emissions were considered to be half positive-half negative, since organisations were still polluting

the atmosphere. The same approach was followed with regard to e.g. energy, noise and waste.

Nevertheless, more interesting than the ‘total’ findings in this table, are the ones for each reporting medium, particularly regarding the negative disclosure: only 12.6% of the information in AR is of a negative nature, comparing to 20.2% in the social/environmental reports and 61% in the supplementary data. When this is seen along with Campbell *et al.*’s (2003) finding that companies prefer to disclose negative information on their website as opposed to their AR, it lends support to Gray *et al.*’s (1995b, p.83) suggestion that the AR is, “the most important document in terms of the organisation’s construction of its own social imagery”. Thus, organisations attempt to strengthen their image by disclosing in a sort of ‘pecking order’ their positive social and environmental endeavours in the AR and their negative impacts in the ‘appendix’ (Social/ Environmental report) or in the supplement to the ‘appendix’ (supplementary data). They possibly do so by also considering that their customers and employees would be focusing on reading the AR, which, as seen above, mainly discusses issues pertaining to them. This ‘pecking order’ of disclosure is also reflected in the meticulousness with which they prepare the documents (where, as discussed in section 7.2, BA at times doesn’t even do a proofreading of the supplementary data prior to their publication) and to some extent is also supported by the findings of the substantive vs. symbolic distinction, as discussed next.

6.5.4 The substantive/ symbolic distinction

Deciding on whether a disclosure was substantive or symbolic proved to be quite challenging. As Table 6.7 indicates, this distinction had the lowest scores in all stability and reproducibility tests. The condition still meets the reliability thresholds for stability and the average percentage of agreement, but appears to fall short of the stricter reproducibility tests’ benchmarks – although, as Lombard *et al.* (2002) note, even these results would still be usually accepted in most situations. As the discussion of the findings in the subsequent chapters nevertheless reveals, despite the reduced reliability, the classification pays more attention to the context and adds

more to understanding than other, more reliable, quality assessments (such as, e.g. quantitative vs. qualitative disclosure).

The main benefit of the substantive vs. symbolic classification is that it is rooted in LT and incorporates the strategies offered by Perrow (1970), Lindblom (1993) and O'Donovan (2002), as earlier discussion (in sections 4.4.2 and 5.9.2.2), and as the examples in the Appendix D reveal. Since, nevertheless, the distinction is theoretically rooted and more complex (compared, e.g. to the positive vs. negative or quantitative vs. qualitative distinctions), and given it focuses on the latent as opposed to the manifest meaning of the content, it was more difficult to develop detailed decision rules and reliably assess it in a quantitative way. This is also evident in the extract from a SAS report (Figure 6.1). Although most of the information could generally be perceived as 'symbolic 3' (offering accounts and apologies), it is evident that, since an attempt is being made to classify the latent content, alternative interpretations are possible.

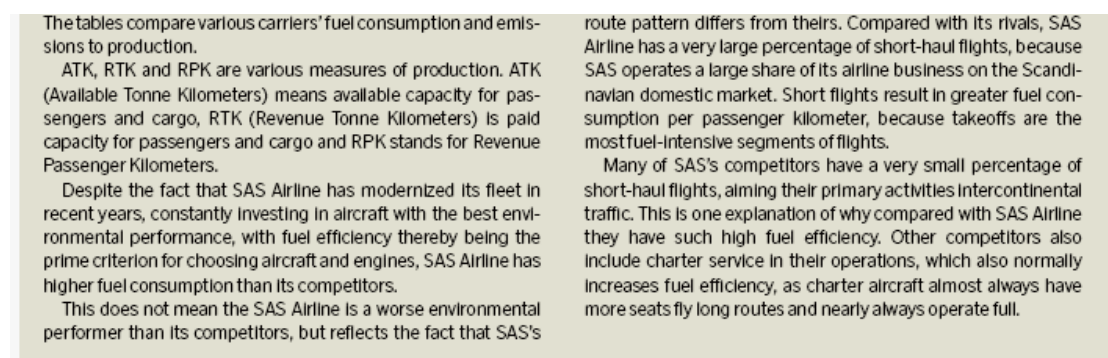


Figure 6.1 Extract from SAS (2001AR, p.109).

It thus seems that a qualitative approach focusing on the discourse (similar to the 'pattern matching' activity described in section 5.10.2), would have been particularly useful. And indeed, initially some qualitative evidence supportive of each strategy was collected in a 'pattern matching' way. However, this attempt was aborted when it was realised that the evidence could not effectively assist in investigating the applicability of the developed theoretical framework and its supporting theories, since the identified substantive and symbolic strategies could be employed to some extent by *all* identified OL variants. As Adams (2008) comments on a similar attempt by Bebbington *et al.* (2008):

Benoit's (1995) typology presented in a neat table with strategies, sub-strategies, dot points, boxes, explanations and examples from the Shell report, is appealing. It provides researchers with a framework to analyse ("cut and paste") quotes from reports and put them in boxes. They are almost certain to find some of Benoit's "image restoration strategies" employed in other organizations' sustainability reports... Whilst an "analysis" of this nature using Benoit's typology allows us to clearly demonstrate what we already know, i.e. that organisations are concerned with their reputations, it has little potential to add to our broader understanding of why companies report what they do or don't, and how they use the information reported, in order that we can facilitate change. It may in fact hinder it and I would urge researchers interested in this area to consider the "So what?" question (Adams, 2008, pp. 366-367).

Consequently, it was decided a) to mainly employ this distinction in a quantitative manner and make inferences to the framework by looking at the year-to-year change per case, and b) to focus the qualitative analysis in directly relating the evidence to the potential motivations under each variant-'pattern' of the framework (as discussed in the next section). By doing so, it is believed that the study addresses Adams' (2008) 'so what' concerns. Additionally, some qualitative inferences regarding this typology are also made in the discussion of the findings in Chapter 8. Even so, some of the limitations of employing this distinction in a quantitative manner are evident in Table 6.10.

As the table reveals, a number of strategies were particularly difficult to detect. With regard to the substantive strategies 2 and 3, it was quite difficult to determine what the existing institutionalised practice was, in order to later assess whether organisations attempt to conform to it (strategy 2) or change it (strategy 3). Such an attempt would require collecting detailed industry data, which exceeds the scope of this study. Nevertheless, it should be noted that a) lots of similarities between the organisations were identified, particularly in the way they questioned existing regulations, and b) these extra large organisations potentially have the "ability of high status actors to deviate from group norms without penalty" (Deephouse and Carter, 2005, p. 333), which makes it thus increasingly difficult to detect whether they conform to, or shape their, institutionalised practice. Consequently, no disclosure was coded and recorded as 'coercive isomorphism' (substantive 2), whilst as regards 'altering institutionalised practice' (substantive 3) some explicit attempts

to influence regulation were recorded (what Parsons, 1960, terms ‘regulatory’ legitimacy, as opposed to the ‘moral’ one which reflects the consistency of organisational action with social norms and values).

Table 6.10 The substantive vs. symbolic distinction per reporting medium

		Reporting Medium			
		AR	Social/ Environmental	Supplementary Data	Total
Substantive CSD	1. Role Performance	61.5%	48.1%	89.7%	61.5%
	2. Coercive Isomorphism	0%	0%	0%	0%
	3. Altering Institutionalised practices	0.1%	0.4%	0%	0.2%
	<i>Total Substantive</i>	<i>61.6%</i>	<i>48.5%</i>	<i>89.7%</i>	<i>61.7%</i>
Symbolic CSD	1. Espousing goals/symbols	29.2%	33.7%	3.4%	24.9%
	2. Denial and trivialisation	0.5%	1.0%	0.3%	0.7%
	3. Offering accounts	1.9%	5.4%	1.5%	3.7%
	<i>Total Symbolic</i>	<i>31.6%</i>	<i>40.1%</i>	<i>5.2%</i>	<i>29.3%</i>
	<i>Other</i>	<i>6.8%</i>	<i>11.4%</i>	<i>5.1%</i>	<i>8.9%</i>
	Total	100%	100%	100%	100%

The employment of the symbolic strategies 2 and 3 also appeared to some extent to be problematic. It was originally decided, given that this research examines legitimacy threats, to distinguish these two groups of strategies focusing on detrimental activities from whether organisations would attempt to downgrade the

event (symbolic 2) or their role towards these activities (symbolic 3). However, given that a quantitative approach to examining this distinction was preferred, it was later realised that the relevant disclosure was minimal and could not assist in deriving meaningful inferences. It thus seems reasonable to recommend that future studies employing this distinction in a quantitative way should focus on the simple substantive/symbolic/other distinction, which would further enhance the reliability of the findings.

Table 6.10 nevertheless provides some support to the organisational ‘pecking order’ disclosure approach with regard to their reporting media. Evidently, the information in AR aimed at customers and employees is mainly substantive (and positive) whilst the information in its ‘appendix’, the Social/Environmental Report, is increasingly symbolic (and narrative) and in the supplementary data (consisting of tables and graphs) is mainly substantive (and negative). This finding is also supportive of the resource dependence theory, suggesting that the greater the power of the constituent, the more likely management is to offer substantive than symbolic accounts (Pfeffer and Salancik, 1978; Ashforth and Gibbs, 1990).

To summarise, the organisations in this study appear to report their substantive, positive CSR news via the AR to specific groups (i.e. customers and employees) whilst attempting to disclose their substantive negative CSR news in documents of a more ‘ephemeral’ (Campbell *et al.*, 2003, p.567) nature and with the potential least readability (when the organisations examined here do not publish supplementary data reports, they do so in their social/environmental report). Additionally, the organisations attempt to communicate with their (perhaps, less critical) groups via these ‘ephemeral’ documents in an increasingly symbolic way. Although intuitively appealing, this is the first study known to the author empirically documenting this organisational CSR practice.

To further look into these findings, the correlation between the positive vs. negative and the substantive vs. symbolic distinctions was calculated and the findings are reported in Table 6.11.

Table 6.11 Pearson Correlation and the substantive/symbolic vs. the positive/negative distinctions

TYPE OF CSD		Positive	Negative
Substantive	Pearson Correlation	.698**	.902**
	Sig. (2-tailed)	.000	.000
	N	44	44
Symbolic	Pearson Correlation	.949**	.359*
	Sig. (2-tailed)	.000	.017
	N	44	44

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

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

All distinctions are significantly positive correlated, indicating that when companies increase, e.g. their substantive disclosure, they also tend to do so for their symbolic, positive and negative ones. However, as the table reveals, when the symbolic disclosure increases, it is more likely that the positive disclosure will increase at a greater rate than the negative. Likewise, when the negative disclosure increases, it is more likely that the substantive disclosure will increase at a considerably greater rate than the symbolic. These findings lend support to Ashforth and Gibbs' (1990) arguments for symbolic legitimation primarily involving (implicitly positive) attempts to appear consistent with social values; and to Pfeffer's (1981) and Abrahamson and Park's (1994) arguments about organisations selectively releasing positive information and only disclosing negative when the latter cannot be concealed (and is thus implicitly substantive).

6.5.5 The Mandatory/voluntary distinction

The mandatory vs. voluntary CSD distinction was originally utilised in the BA case study but was later aborted (see Appendix E for a list of UK mandatory CSD). As Table 6.7 demonstrates, this distinction is considerably reliable (the most reliable in terms of stability and only second to the theme of CSD in terms of reproducibility).

This increased reliability can be attributed to the very limited CSR that is regulated, as the Appendix shows.

The mandatory vs. voluntary CSD distinction was aborted primarily due to unavailability of the relevant legislation outside the UK. However, as Table 6.12 illustrates, in the case of BA, generally mandatory CSD remained minimal and did not vary very much throughout the examined period (from 1.87 pages in 1999, accounting for 3% of total CSD to 2.78 pages and 10% in 2003). It is not expected, therefore, that not using this distinction for the remaining case studies has greatly affected the results, particularly since what is primarily investigated is not how much voluntary CSD is reported *per se*, but the change in reporting across the specified time periods. And as Table 6.13 reveals, primarily due to the small proportion of the mandatory CSD, voluntary CSD follows almost identical change patterns as total CSD.

Table 6.12 BA mandatory vs. voluntary CSD (pages): proportions of total CSD

CSD	<i>Pre-accident</i>		<i>Post-accident</i>		
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
Mandatory	1.87	1.77	2.27	2.24	2.78
	3%	3%	3%	5%	10%
Voluntary	60.59	61.95	66.59	47.03	27.91
	97%	97%	97%	95%	90%
Total	62.46	63.72	68.86	49.27	30.69
	100%	100%	100%	100%	100%

Table 6.13 BA mandatory vs. voluntary CSD (pages): % of year-to-year change

CSD	<i>Pre-accident</i>	<i>Post-accident</i>		
	<i>1999→2000</i>	<i>2000→2001</i>	<i>2001→2002</i>	<i>2002→2003</i>
Mandatory	(5%)	28%	(1%)	24%
Voluntary	2%	8%	(29%)	(41%)
Total	2%	8%	(28%)	(38%)

It should be noted, nevertheless, that when this distinction was employed, all stand-alone reports' information was considered to be voluntary CSD, considering that most mandatory requirements pertain to the AR. An additional limitation of the approach that was revealed when analysing BA's ARs was that it was often difficult to decide which portion of a disclosure was mandatory and which voluntary. BA (2003AR), e.g. devotes six pages to discussing the emoluments of the directors, as opposed to one page in BA (1999AR). This was at a time where regulation didn't change. How much of this (if indeed, any) is CSR? To ensure that the results wouldn't be distorted (particularly since the focus of the quantitative CA was on investigating year-to-year change in disclosure), a decision was made, albeit quite arbitrarily, to consider for every year an equal amount of mandatory disclosure pertaining to this category (i.e. the minimum relevant CSD identified over the five-year period), and the remaining part was considered a voluntary one (e.g. 1 page mandatory and the remaining voluntary CSD). Similar difficulty in coding was faced when, e.g. considering statutory action with respect to informing and consulting employees; it is difficult to tell in the text where the mandatory discussion finishes and where the voluntary one commences. Again, in order to ensure that the results wouldn't be distorted, a similar decision to the one above regarding directors' emoluments was taken.

6.5.6 The thematic analysis

The thematic analysis proved to be more useful than quantitative CA for investigating the research questions and particularly the applicability of the framework, since "the emphasis on discourse" allowed "for a more fine-grained analysis in empirical settings" (Bebbington *et al.*, 2008, p.339). It took place in two stages. Firstly, the 'pattern matching' activity was undertaken, simultaneously with the quantitative CA, whereby the whole text was scanned for relevant information, supportive or not, of the theoretical variants and was recorded in a dedicated Word file. During this stage, some initial informal comments on the findings were made, to later assist in the discussion, as Appendix I illustrates. In the second stage, the 'explanation building' activity took place, where an explanation for each case was developed by critically examining all the evidence, including that which did not fit in

any of the predetermined patterns. This was complemented by the findings of the (quantitative) time series and the cross case analyses.

The ‘pattern matching’ activity was originally primarily intended to identify evidence pertaining to the identified four OL variants and the organisational motivations behind CSR. Most of the collected evidence, nevertheless, concerned motivations behind CSRes. Organisations appear to discuss in their reports to a far greater extent their CSRes, rather than their CSR, practice. Although the motivations behind CSRes also gave insights into the motivations behind CSR (as the findings chapters reveal), since the latter are often perceived as a manifestation of the former, it is acknowledged that an interview approach, similarly to the one adopted by O’Dwyer (1999), would have generated more proportionately ‘balanced’ evidence.

The strictly qualitative thematic approach employed did not allow for a subsequent quantification of the arguments to provide some numerical indication of their relative importance as the adoption of a mixed CA, as recommended by Lasswell (1949), would entail. It is, however, unlikely that the latter would contribute significantly to the analysis. This is because it could be argued that, e.g. some arguments overlap with others and also that a quantified CA is already employed and, therefore, it would be more suitable for this to be complemented with a pure qualitative approach. Nevertheless, similarly to Buhr and Reiter (2006), in the summary tables of the ‘pattern matching’ activity some indication was given of the extent to which organisations were employing each identified tactic (of the type, e.g. ‘reference’, ‘explicit reference’, ‘significant emphasis’).

It should be noted that the ‘other evidence’ category in the ‘pattern-matching’ activity often included evidence that could be explained by more than one predetermined variant, as opposed to evidence that could not be explained by *any* of these. Nevertheless the evidence assisted in refining the theoretical arguments (e.g. before conducting the qualitative analysis, the ‘profits AND responsibility’ arguments were originally considered to be pragmatically, as opposed to opportunistically, focused). The further inclusion of the ‘other evidence’ category increased the ‘grounded’ character of the study; although, as discussed under section 5.10.2, the thematic analysis, as employed here, is more suitable than more grounded

approaches, given the time efficiency and the pragmatic character of the research design, and the adopted (Yin's, 2009) case study approach.

6.7 Summary

This chapter, written from an *ex post* angle, has provided some reflections on, and findings from, the use of the study's methods, with particular emphasis on CA, in an attempt to address the research aims pertaining to the use of CA in CSR. A number of reflecting comments on the research design and the sampling units (data collection) were made over issues such as unavailability of the data and repetition. It was also found that the CSR in the AR may account for as little as 7% (for BA) of the total CSR discussion, indicating the need for studies to consider CSR sources additional to the AR.

With regard to the recording units, it was firstly found that pictorial information (including tables, graphs and images) may account for as much as 46% of total CSD, indicating the need to employ recording units that could consider it (such as page size or percentage of page). High correlations among all three employed recording units were identified, which could suggest that there are negligible inconsistencies across the findings of each recording unit. However, later discussion indicated that the three recording units used (sentences, pages and % of AR) only agreed in 60% as regards the direction (increase/decrease) of the year-to-year changes, indicating the need for future studies to consider a variety of recording units.

In respect of the context units, some reliability and validity considerations were provided initially. Particularly with regard to reliability (consisting of stability, reproducibility and accuracy), all the tests taken indicated that the analysis was reliable. In fact, the four most popular reproducibility tests showed almost no difference in their calculations, indicating that they could be employed interchangeably in most CA studies. The theme of the disclosure, and the mandatory vs. voluntary, distinctions were found to be more reliable than the positive vs. negative, and the substantive vs. symbolic, distinctions.

The discussion on the context units further revealed that organisations adopt a ‘pecking order’ disclosure approach with regard to their reporting media. They appear to report their substantive positive CSR news via the AR to specific groups (i.e. customers and employees, in addition to shareholders) whilst attempting to disclose their substantive negative CSR news in documents of a more ‘ephemeral’ nature and with the potential least readability (when the organisations examined here do not publish supplementary data reports, they do so in their social/environmental report). Additionally, the organisations attempt to communicate with their (perhaps, less critical) groups via these ‘ephemeral’ documents in an increasingly symbolic way.

Particularly, the findings on the substantive vs. symbolic distinction lent support to the resource dependence theory, suggesting that the greater the power of the constituent, the more likely management is to offer substantive than symbolic accounts. When the findings on the positive vs. negative distinction are also considered, they further support arguments for symbolic legitimation primarily involving (implicitly positive) attempts to appear consistent with social values and for organisations to selectively release positive information, and only disclose negative information when the latter cannot be concealed (and is thus implicitly substantive). With regard to the mandatory vs. voluntary distinction, the findings suggest that the voluntary disclosure follows almost identical year-to-year change patterns as does the total disclosure – primarily due to the small proportion of mandatory CSD; thus, the sole focus on total CSD seems justifiable for most studies.

It was the thematic analysis that was nevertheless found more useful towards investigating the research questions and the applicability of the study’s framework. Although it was noted that most of the collected evidence pertained to motivations for CSRes as opposed to CSR, this still gave insights into the motivations for CSR, since the latter is often perceived as a manifestation of the former. The further employment of a number of Yin’s (2009) recommended analysis techniques (i.e. pattern matching, explanation building, time series, and cross-case analyses) allowed for more in-depth examinations of the cases and more valid inferences to the framework to be made.

Having considered these reflections and findings in respect of the employment of the methods, the theoretical findings of the study can be discussed.

PART IV FINDINGS AND DISCUSSION

...Ithaca gave you the marvellous journey.

Without her you wouldn't have set out.

She has nothing left to give you now.

And if you find her poor,

Ithaca has not deceived you.

...

Chapter 7

Findings

7.1 Introduction

Following the discussion of the methodology, this section presents the findings of each case. These are subsequently synthesised in the next chapter, providing a cross-case analysis and discussion of the findings in respect of the propositions, research questions and developed framework.

Each case study includes a brief introduction to the company and the relevant legitimacy threat (accident), followed by sub-sections on the quantitative and qualitative evidence of the analysis and a concluding section summarising that evidence. The cases of BA and AF, which are affected by the same legitimacy threat (i.e. the Concorde accident), are presented first, being followed by the cases of AA, SIA and SAS. A brief summary is provided at the end of the chapter.

7.2 The case of British Airways (BA)

7.2.1 Introduction

BA is the UK's national carrier. The BA Group was formed in September 1974 through nationalisation and was privatised and floated on the London Stock Exchange in February 1987. Since then BA has emerged as one of the world's largest airlines. At the time of the Concorde accident, which is the 'legitimacy threat' that is the focus of this case, BA was Europe's third largest airline in terms of passenger numbers (SAS, 2002AR) and the fifth largest in the world in terms of passenger kilometres travelled (BA, 2003SER).

Although the Concorde accident did not directly involve BA, the Concorde was BA's flagship aircraft and it was thus expected that it would constitute a legitimacy threat for both companies. The next section introduces the accident; the following one the quantitative evidence and the penultimate the qualitative. The concluding section summarises the case's findings.

7.2.2 The accident

Following its departure from Paris' Charles de Gaulle Airport on an Air France, non-scheduled service to New York City, on 25 July 2000, the Concorde suffered its first fatal accident in this fiery crash 10 miles (15km) north-east of Paris, after nearly a quarter of a century of providing the world's only sustained supersonic passenger service (Gero, 2006). All 109 persons aboard, including the nine members of its crew, plus 4 others on the ground perished in the disaster, and an additional 6 persons suffered injuries.

Chartered by a German tour company and carrying passengers who were to cap their transatlantic trip with a Caribbean cruise, the Air France Concorde began its take-off from Runway 26-Right. After reaching a speed of around 200 mph (320Kmh) a tyre ran over a strip of metal lying on the runway, which caused a fire on the left side of

the aircraft. Lifting off, the jetliner was airborne for about a minute and unable to maintain either speed or altitude, before striking a hotel and exploding 3.3 miles (5.5km) from the end of the runway (Gero, 2006). As Woodward *et al.* (2008) note:

Only the previous day, safety issues had emerged as BA was forced to admit that all seven of its Concorde fleet had hairline cracks in their wings. Taken together, these two events led to a serious concern for safety amongst both the general public and the aviation industry (p. 9).

As a consequence, both the French and the British Civil Aviation Authorities (CAA) revoked Concorde's certificate of airworthiness. Although some modifications were made and Concorde re-entered into regular service in November 2001, in the spring of 2003 its only two operators, Air France and British Airways, announced that due to low passenger loads, high maintenance cost and the general slowdown in the airline industry, they would terminate its service by the end of the year, withdrawing from use the rest of the aircraft (Gero, 2006).

The Concorde crash posed a considerable legitimacy threat at the time for both AF and BA, since it attracted a lot of negative publicity (CNN.com, 2001), making it the most famous air crash in the aviation history (other than the September 11 attacks – Gero, 2006). As Bunting (2000), the day after the disaster, noted:

There's an appetite for catastrophe and over the last 24 hours, the mass media have sought to satiate it. The Independent clears its entire front page, and all the papers devoted yards of coverage, relegating other major stories (such as the collapse of the Middle East peace talks) to a few paragraphs; the BBC Today programme even flies one of its presenters to the Paris scene... The saturation coverage of Concorde's nemesis is not driven by our desire for knowledge... We want to acclimatise ourselves to this new fact: that Concorde, the emblem like no other of the power of technology, has failed us.

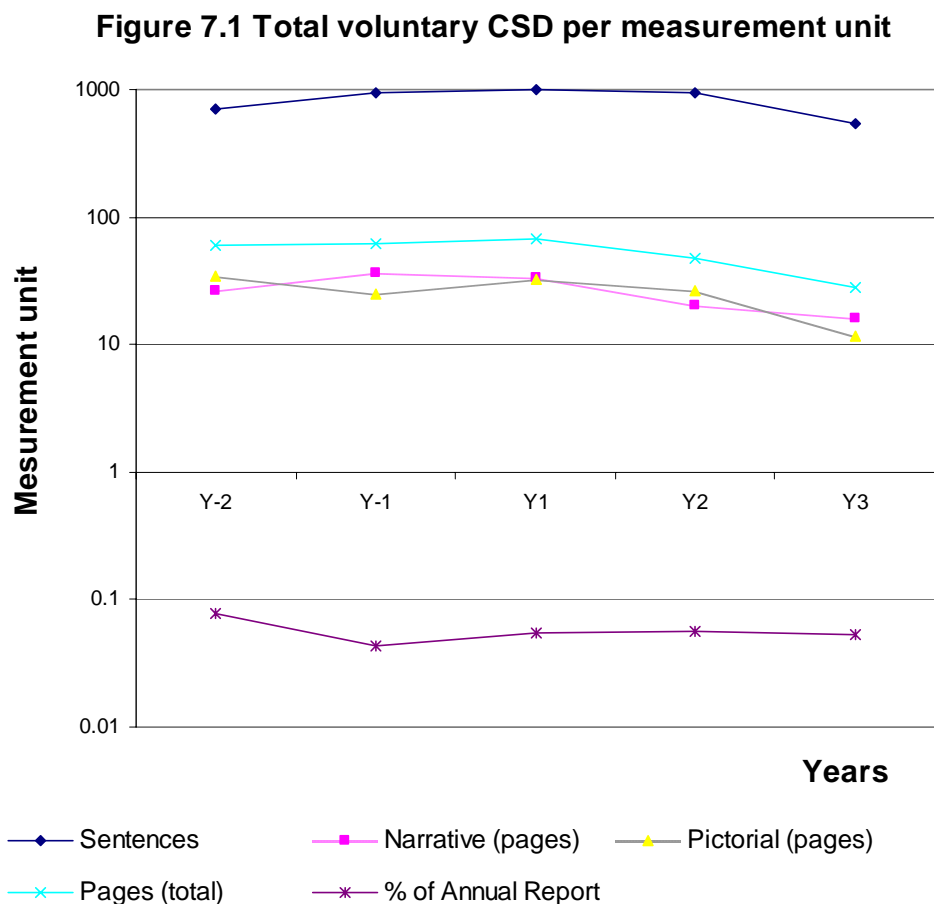
Concorde was indeed the 'flagship' plane for both AF and BA. As a BA spokesman said, following its withdrawal from service, "the plane is synonymous with British Airways. It is almost a symbol of the airline" (Rowell, 2003). For many years prior to the crash the two companies continued to operate it, despite the considerable operating costs, "in the hope that the positive image of these planes will flow through to their normal operations" (Rowell, 2003). With one accident after only 80,000 flights, however, the Concorde was not as nearly as safe compared to other

commercial aircrafts. And the negative publicity associated with the deaths of all passengers and crew brought a sharp decline in ticket sales, resulting in the two companies' decision to finally withdraw it (Rowell, 2003).

7.2.3 The quantitative CA evidence

Propositions 1 and 2: Following a legitimacy threat, the level of total CSD and particularly the level of H&S CSD will show a notable increase

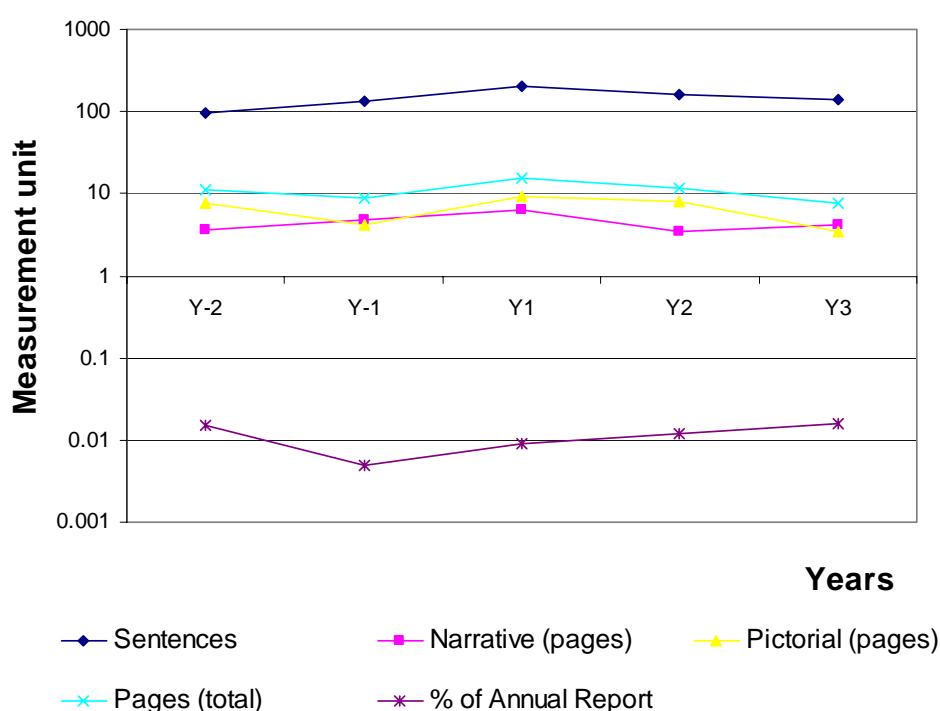
Figures 7.1 and 7.2 (see also Tables 1 and 2 in Appendix Ji) summarise the variations of the total and H&S voluntary CSD per measurement method over the selected period.



With regard to the total CSD it could be seen that:

- All measurement units increased in Y_1 (this is 2001, the first post-accident year), ranging from 3% (sentences) to 30% (% of AR), lending some support to proposition 1⁴³
- Y_1 represented a peak in the disclosure over the five year period for most measurement units (with the marginal exception of % of AR)
- For all measures the disclosure decreased in the post-accident years and goes below the Y_{-2} levels in Y_3 , indicating that the Y_1 peak could be a result of an attempt to address the threat.

Figure 7.2 H&S voluntary CSD per measurement unit



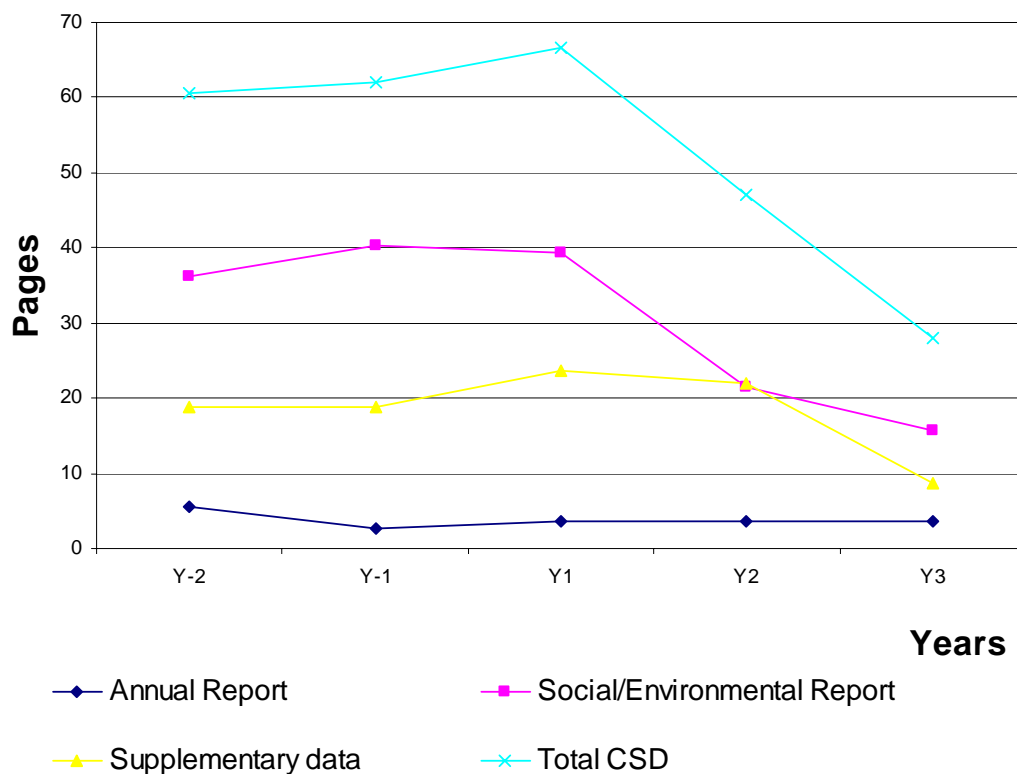
This support is comparatively greater for proposition 2, where the H&S voluntary CSD increase in the year of the accident ranged from 51% (sentences) to 80% (proportion of AR). For all measures the disclosure largely returned to the Y_{-2} levels in Y_3 , lending some further support to proposition 2.

⁴³ It is acknowledged that by referring to (the reports published in) the year immediately preceding the accident as Y_{-1} and to (the reports published in) the year immediately after the accident (and therefore also the first ones to report it) as Y_1 , it may be implied that from Y_{-1} to Y_1 comprises 24 months. To address this concern, Woodward *et al.* (2008) refer to (the reports published in) the first year after the accident as Y_0 . However, considering that the accident incurred at an instant in time, in essence what the study is investigating is the last two (Annual and standalone) reports published prior to, and the first three (Annual and standalone) reports published after the accident and thus the adopted connotation is considered to be more appropriate (as also adopted by Deegan *et al.*, 2000).

Figure 7.3 (see also Tables 3 and 4 in Appendix Ji) breaks down the variance of total voluntary CSD in terms of type of reporting. These are only presented in pages, the prime recording unit of the study (see section 5.9.3), for simplicity reasons. Evidently:

- Most types of reporting increased their CSD levels in Y_1 (with the marginal exception of the social and environmental report)
- The disclosure fell notably in the post-accident years in all types of reporting and went below the Y_{-2} levels in Y_3 , indicating that the Y_1 peak could be a result of an organisational attempt to address the threat

Figure 7.3 Source of voluntary CSD



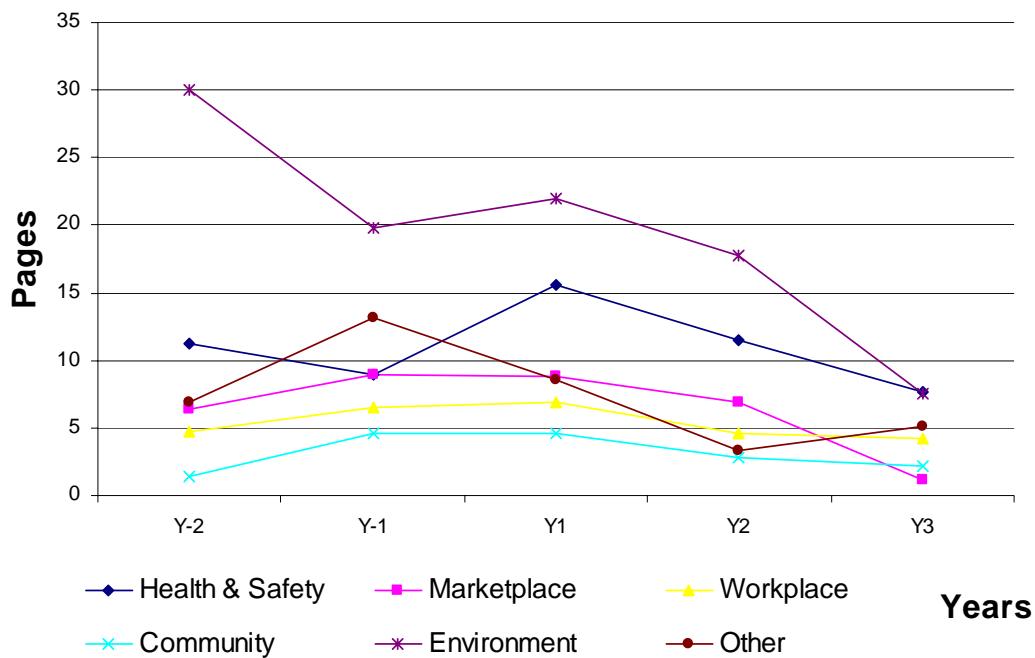
The 8% increase in total CSD following the accident was mainly due to the 25% increase in the supplementary data. It should be noted, however, that in this kind of reporting in the post-accident period, often BA seemed to provide information just for the sake of increasing the published CSD (particularly given that this type of data are only available on-line and are exclusively in tabular form, they are thus a cheap

way to do so). For example, in the Supplementary Data 2001 it provided a table of the conservation organisations assisted in 1999/2000 and then, with the intermission of one table, it provided an additional table with the conservation organisations assisted in 2000/2001, with exactly the same organisations in. Indeed, in other cases, e.g. Supplementary Data 2001, pp. 22-23, it provided separate tables to discuss its noise impacts at Heathrow and Gatwick and then subsequently, joined the two tables to form a third for comparison, and thus repeated CSD without adding additional information. The fact that BA proportionally increased the use of this flexible and cheap type of publication in Y_1 , signifies an organisation particularly image-concerned at the time.

Figure 7.4 (see also Tables 5 and 6 in Appendix Ji) summarises the findings per theme of CSD. It appears that, in the year following the accident, the levels of disclosure increased for most of the CSR themes, with the marginal exception of the marketplace. Additionally:

- H&S showed the greatest increase across all themes in Y_1 , followed by the environment
- All disclosure themes decreased in Y_2 and Y_3 (with the exception of the 'other' category)
- Environment remained the most popular disclosure theme throughout the five year period

Figure 7.4 Theme of voluntary CSD



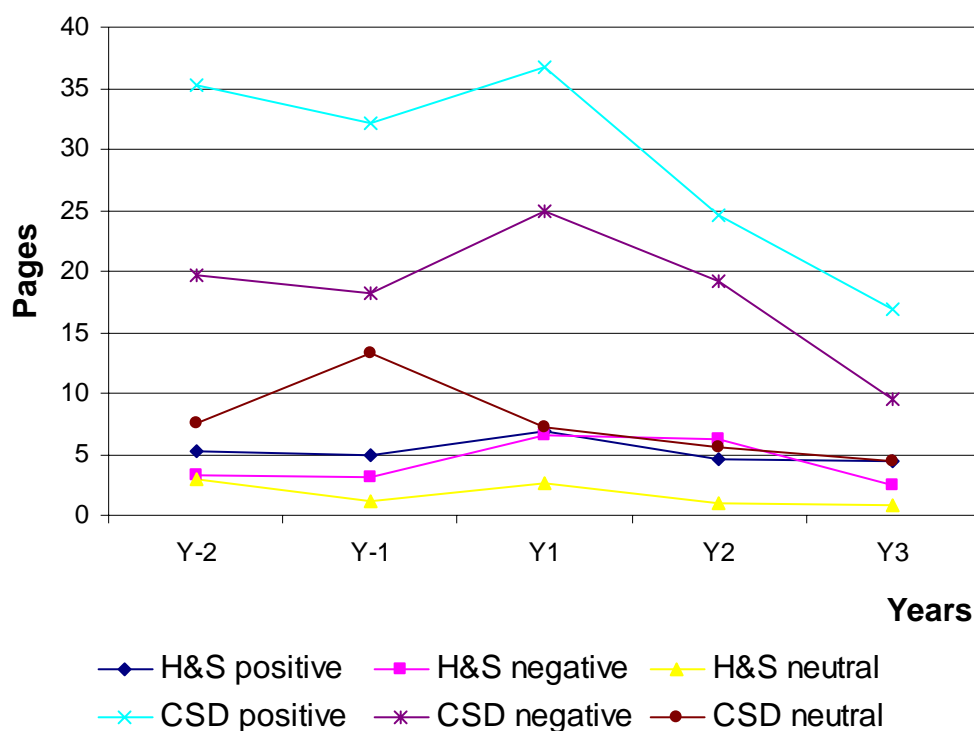
The considerable decrease in environmental disclosure in Y₋₁ is due to the fact that in Y₋₂ an environmental report rather than a social and environmental as in the subsequent years was published. It should be noted that in terms of proportions of CSD, H&S maintained an upward trend throughout the post-accident years to even equal, in the last examined year, environment's proportion as the most popular disclosing theme, with a proportion double to Y₋₁. This can be further possibly interpreted as an organisational attempt to address the threatened legitimacy following the accident with regard to this area. The September 11th 2001 events with their dire effects on the industry as a whole (BA, 2002SER) and the appearance of the Severe Acute Respiratory Syndrome (SARS) in these post-accident years, may have further threatened the legitimacy of the whole industry and subsequently contributed towards this H&S post-accident proportional increase.

Propositions 3 and 4: Following a legitimacy threat, the level of positive CSD and the level of negative CSD will show a notable increase

The findings in terms of positive vs. negative CSD for the total and H&S disclosures are summarised next. As Figure 7.5 illustrates (see also Table 6 in Appendix Ji),

following a decrease in Y_{-1} , both positive and negative disclosures increased in Y_1 before decreasing in the subsequent years, lending support to propositions 3 and 4. The positive and negative H&S disclosures increased at even higher rates than those for total CSD (almost three times as high). It is further interesting to note that, particularly for total CSD, the increases in positive and negative CSD were at a higher rate than the increase in total CSD and, therefore, this was at the expense of neutral CSD, which started decreasing even from Y_1 . In Y_2 and Y_3 both positive and negative, total and H&S CSD largely followed similar declining patterns to that for total CSD, despite the aforementioned September 11th events and the appearance of SARS in this period, further indicating that the increase in Y_1 could have been due to the legitimacy threat.

Figure 7.5 Positive vs negative CSD

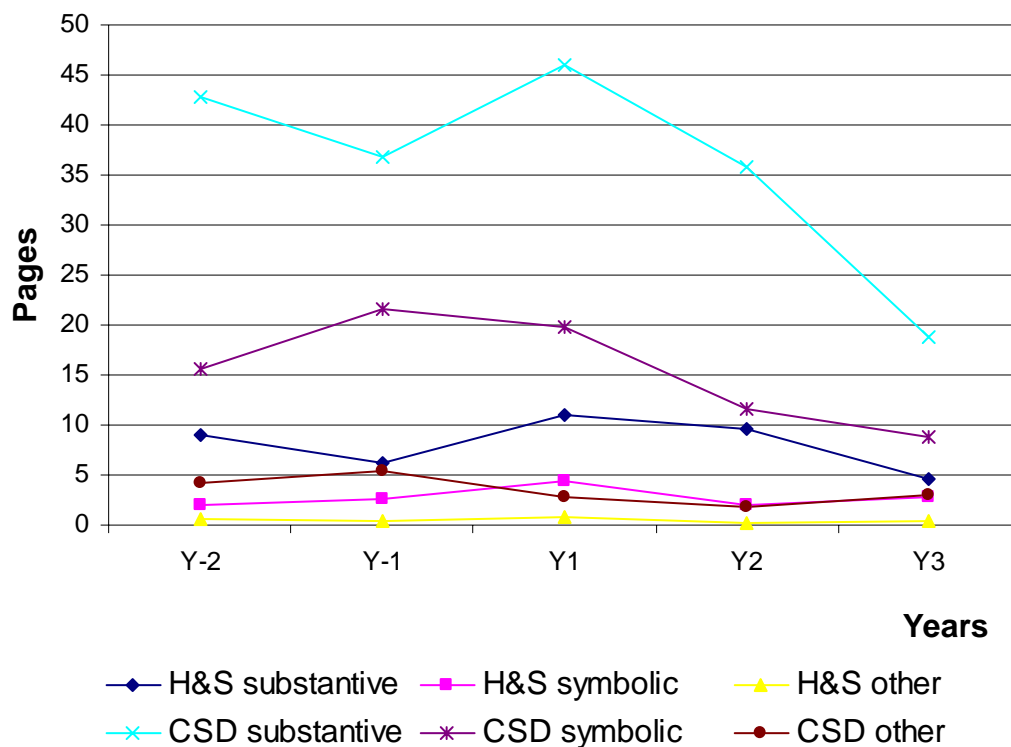


Propositions 5 and 6: Following a legitimacy threat, the level of substantive CSD and the level of symbolic CSD will show a notable increase

Figure 7.6 (see also Table 7 in Appendix Ji) presents the findings in terms of the substantive vs. symbolic CSD, for both total and H&S disclosures. Although the

evidence from both the total and the H&S CSD lends some support for proposition 5, since clearly substantive CSD increased in Y₁, for proposition 6 the findings are inconclusive: in Y₁ the symbolic total CSD declined, although the symbolic H&S CSD increased at a similar rate to the substantive. At first sight, this finding could signify an ethics-oriented organisation, primarily concentrated in addressing its stakeholders' increased expectations in a substantive way; however, when seen in conjunction with the H&S related evidence, and it is also taken into account that both the H&S and total substantive CSD fell in the subsequent years, it could be tentatively suggested that, on the whole, the substantive vs. symbolic evidence indicated a rather image-oriented and pragmatic organisational stance towards CSR, where priority was given to defending legitimacy rather than opportunistically or ethically extending it.

Figure 7.6 Substantive vs symbolic CSD



7.2.4 The qualitative CA evidence

The qualitative analysis of BA's Annual and stand-alone reports, as reflected in Table 7.1, summarising the 'pattern matching' activity, reveals a 'balanced' organisational stance towards CSR which varies from stakeholder pragmatism to ethics pragmatism and opportunism. Although, e.g., BA stated that it supported the UK government's interpretation of sustainable development as, "a better quality of life for everyone, now and for generations to come" (2000SER, p. 10), seemingly adopting an ethical stance, further on in the same report BA also appeared to be opportunistically driven, when on its code of conduct it specified that it would, "consider social, ethical and environmental implications of decisions which will promote shareholder value" (p. 4). It would appear however that, even within its opportunistic arguments, BA primarily pragmatically perceived managing its social and environmental impacts as a condition for maintaining economic success:

While financial performance is the primary concern, our ability to sustain a thriving business depends also on consideration for the environment on a local and global scale, and on our relationships with those who are legitimate stakeholders in our business. Only if we pay due attention to these areas will aviation be able to prosper in a world which is maintained in a fit state for future generations... if we are to add value to our products and to our stakeholders we must be proactive in addressing the relevant and environmental issues (BA. 2000SER, p. 2).

This pragmatic perception of CSR could also explain BA's frequent attempts to question the industry's contribution to climate change and to further emphasise its contribution to the economy over the potential negative environmental impacts, which were also evident in this period:

there are still questions about the impact of aviation on the environment, in particular in relation to climate change ... We also need to understand better the economic contribution that is made by the airline and aviation (BA, 2000, p.10)... But British Airways also makes a substantial contribution to economic and social progress in the UK and other countries where we operate. A comprehensive audit of our performance as a sustainable business needs to take into account all three dimensions – economic, social and environmental (BA, 2000SER, p.12).

Table 7.1 Summary of the ‘pattern matching’ activity for BA

	Pre-accident		Post-accident		
	Y ₋₂	Y ₋₁	Y ₁	Y ₂	Y ₃
Stakeholder capitalism	Reference to commitment to sustainability, aiming to leave the natural and social environment in a better condition	Continuing reference to commitment to sustainability; detailed references to commitment to citizenship and to open dialogue with stakeholders, including respect for local communities, cultures and environmental needs; references to integration of social and environmental factors into management systems	Continuing reference to commitment to sustainability; reference to ethical responsibilities of business towards employees	Continuing reference to sustainability; acknowledgment of the contribution of aviation to greenhouse effects and local air quality; reference to ethical responsibilities of business towards employees	Continuing reference to sustainability; reference to commitment to improving social and environmental performance
Ethics pragmatism	References to commitment to people	Great emphasis on the importance of addressing stakeholder needs and environmental impacts to ensure viability; emphasis on questioning aviation’s contribution to climate change; particular emphasis on ensuring satisfied employees to add value; explicit reference of the importance to reputation of building a relationship of trust with stakeholders	Explicit acknowledgment of prioritising the needs of shareholders and customers over employees; continued great emphasis on the importance of addressing stakeholder needs for viability; continuing emphasis on the importance of stakeholders to reputation and corporate value	Acknowledgement that ethical standards are essential to viability; continuing emphasis on the importance of stakeholders to reputation and corporate value	Explicit acknowledgment of the increasing importance of integrity and ethics to consumers; acknowledgment that maintaining focus on CSRes is challenging during difficult market conditions

(Table 7.1 continued)

		Pre-accident		Post-accident		
		Y ₋₂	Y ₋₁	Y ₁	Y ₂	Y ₃
Ethics opportunism		Detailed attempts to present the creation of an additional terminal at Heathrow (T5) as socially and environmentally beneficial; reference to the importance for any environmental controls to be economically reasonable and not to distort competition	Reference to the need to be proactive towards CSRes to add value to the products; continued attempts to present T5 as socially and environmentally beneficial; continuing reference to the need for environmental programmes to be economically reasonable and not distort competition; explicit attempt to pre-empt taxation on aviation fuel	Declaration that it will consider CSRes implications of decisions that promote shareholder value; acknowledgment that it would support some noise initiatives if they bring economic benefits; great emphasis on presenting T5 as essential to BA’s prosperity and UK’s wealth and job creation; continuing reference to the need for environmental programmes to be economically reasonable and not distort competition; continuing attempts to pre-empt taxation on aviation fuel	Explicit acknowledgment that community involvement programmes are a means of reputation enhancement; continued emphasis on presenting T5 as more socially and environmentally beneficial than other potential new runaways; continuing reference to the need for environmental programmes to be economically reasonable and not distort competition	Great emphasis on presenting T5 as more socially and environmentally beneficial than other potential new runaways;
		[no reference]	Emphasis on aviation’s economic contributions	Explicit reference to how aviation, through creating wealth, contributes to sustainable societies; emphasis on the aviation’s importance to economic growth and job creation	Great emphasis on the social and economic contributions of aviation;	Continuing emphasis on the social and economic contributions of aviation; detailed reference to a community involvement programme which ultimately concerned only two people
Other evidence						

In the post accident years BA's CSR focus did not appear to change, despite that in addition to the grounding of Concorde a number of other adversities also incurred⁴⁴:

The morale factor is crucial in a service business and its importance became evident as we faced a range of adversities which disrupted operations at various times during the year: severe bad weather in the United Kingdom; the grounding of Concorde; and a serious computer systems failure. Furthermore, we had to contend with economic slowdown in some important markets, most notably the USA; the effects on travel and tourism to Britain of foot and mouth disease; and the alarming rise in the price of oil which increased our fuel costs, net of hedging, by £264 million.

Its image-concentrated and clearly non ethical CSR orientation was perhaps mostly apparent when BA explicitly admitted that its production of the social and environmental report and its support in community and conservation programmes were all means of improving its reputation, following the advice of its independent assurers:

Improve reputation enhancement: The Marketing and Communications Department is increasingly involved in relevant activities, including operation of this report, 'Change for Good' and the 'Tourism for Tomorrow' awards programme (BA, 2002SER, p. 7).

As in the pre-accident period, BA at times appeared to employ CSR arguments in an opportunistic fashion in the reports following the accident, albeit less frequently than when it appeared to be pragmatically driven. Most often these opportunistic arguments were over the Heathrow Airport expansion, where its headquarters were and its business interests lied:

Regions such as the West Midlands and Scottish Lowlands will require additional runway capacity over the study period to meet local demand – we support their view. Nevertheless, we do not consider that it is a viable alternative

⁴⁴ These adversities had reached their climax by the third post-accident year following the September 11th events, the war in Iraq and the appearance of SARS. As BA (2003AR) notes, "a press article summed it up when it suggested that the aviation industry must feel it has been assailed by the Four Horsemen of the Apocalypse in recent years" (p.3).

for the regions to attempt to meet South East demand. To do so would impose unnecessary, long and environmentally damaging surface journeys on travellers. We consider there are strong environmental arguments in favour of concentrating new capacity at existing airports – both in the regions and in the South East. Such concentration minimises the need for additional land take, reduces the spread of noise and provides greater potential for investment in surface transport links (BA, 2002SER, p. 25)

Developing Heathrow through the addition of a third runway allows the UK to retain an internationally competitive hub airport and expand its network of air transport links to the global economy...Local employment would also benefit, helping areas such as Feltham to the south and Hounslow to the East – which are identified in the Mayor's London plan and by the London Development Agency as needing to generate 45,000 new jobs in the next 10-15 years...A third runway would have a significant impact on local communities around Heathrow. Networks of neighbours, proximity to friends and relatives, links with churches, schools, shops, medical services, entertainment, support groups and other community activities are important (BA, 2003SER, p.16).

Heathrow expansion appeared to be so critical for BA that it explicitly attempted to preempt any governmental decision against it, by reminding how important its contribution was on UK's wealth, customers and employees:

Heathrow – our major international aviation hub – is a strategic national asset. It must be developed for the good of everyone ... The proposed Air Transport White Paper will provide a policy framework for the future of aviation and airports in the UK for the next 30 years. We must make sure we get it right. We must get it right, not least because your company is a great company. As the UK's sole global network carrier, British Airways is at the heart of the UK aviation industry. Employing an average 55,000 people in British Airways mainline, we carry 36 million passengers each year – that's more international passengers than any other airline, with a global network spanning some 268 destinations and 97 countries. In short, British Airways is the UK's major airline and a world renowned business. As an Australian [Rod Eddington, CEO], I can see clearly that it is in Britain's interest to stay that way (BA, 2001AR, p.6).

Some of the arguments were on the verge of ethics pragmatism and opportunism. This is hardly surprising given that both perspectives maintain an image orientation towards CSR and principally relate it with profitability, either in terms of maintaining (pragmatists) or extending (opportunists) the latter. For example, when BA explained the potential 'business reasons' for adopting CSR:

Apart from the fact that British Airways believes in social responsibility, including environmental care and concern for the communities we serve and in which we work, there are sound business reasons for this. Consumers will more and more judge a company on its integrity and ethics, as well as the value of its commercial products and services (BA, 2003AR, p. 3),

it was not clear whether CSR was viewed as a necessary, ‘pragmatic’ activity to satisfy increased consumer expectations and maintain legitimacy and, consequently, profitability, or, rather, as a means of opportunistically “attracting ‘patient’ shareholders and enhancing the firm’s reputation and brand value” (Clikeman, 2004, p. 25) in order to “establish new markets, gain additional market share, and/or increase market size though... increased customer loyalty” (Dillard *et al.*, 2005, p. 86).

Nevertheless, in most of the arguments and (similarly to the pre-accident period) it was apparent that BA was primarily externally motivated towards CSR, projecting to its constituents that it was interested in balancing their requirements, as this rather pragmatic declaration of priorities also indicates:

Our principal objectives in the current year, however, will be to achieve increased levels of value and quality for our customers around the world; the continued support of our employees; and increased profitability – all of which are expected to improve the level of return for shareholders (BA, 2001AR, p.4).

In this period, as the quantitative evidence also suggests, increased emphasis on its H&S responsibilities seemed to be paid in a potential attempt to defend and restore legitimacy. For example, and despite that even in the pre-accident years BA had noted that, “safety is of absolute importance... we will never compromise safety for commercial reasons” (BA, 2000SER, p. 3), it was only in the first stand-alone report following the accident that the following clause on its Key Issues section on Air safety appeared (BA, 2001SER, p.48), and which was then repeated in the next report (2002SER, p. 28):

Air safety: this is of paramount importance and the matter is reviewed directly by a standing committee of the main corporate board. Risks are under constant review and are assessed within a culture of openness.

The emphasis on H&S was accompanied by even more frequent references to the contribution of the aviation industry, that could be potentially perceived as a symbolic strategy to improve its threatened image or even as a substantive one to alter the definition of social legitimacy via attempting to change the perceptions of its constituents (Perrow, 1970; Lindblom, 1993). Although these arguments could have also been employed by an opportunistically-driven organisation (and even constitute the basis of Friedman's, 1962, 'pristine capitalism' arguments), given that the particular references were also present (though to a lesser extent) in the pre accident years, they more likely signified a pragmatic effort to defend legitimacy:

What aviation can provide, in part, and facilitate as an essential component of the global communication network, is creation of wealth necessary for education, health and welfare, which, in turn, prime a virtuous cycle leading to an overall more sustainable society (BA, 2001SER, p. 4). The aviation industry also generates socio-political external benefits which are more difficult to measure empirically (2002a, p. 4).

The increased emphasis on the contribution of the aviation industry was, however, not in conjunction with further attempts to question the industry's contribution to the climate change as in the pre accident years. On the contrary, BA appeared to start acknowledging its environmental impacts without reservation. This shift could be potentially part of a substantive organisational attempt at 'role performance' through engagement with its stakeholders as well as a symbolic admission of guilt aiming for 'ceremonial' conformity. Given, however, that it incurred following the accident, it could be interpreted as a further sign of a pragmatic attempt to defend and restore legitimacy:

it has long been recognised that emissions from aircraft engines contribute to the build up of greenhouse gases. Aircraft and related ground operations also contribute to local air quality. The aviation industry is continually looking at initiatives to reduce these emissions through research, development and co-operation. We must continue our innovative work in this area (BA, 2002SER, p. 20).

7.2.5 Conclusion

Tables 7.2 and 7.3 summarise the findings from the quantitative CA and the ones in respect of the research questions, respectively.

Both the evidence of the quantitative and the qualitative CA seem to provide support for the identified as an ethics pragmatism variant of the OL framework. The quantitative findings lend some support to all propositions (arguably, with the exception of proposition 6). The levels of voluntary CSD, particularly H&S, in BA's Annual and stand-alone reports increased notably in the post- accident year. As table 7.2 illustrates, this was also the case for BA's positive and negative, and largely for the symbolic and substantive, CSD (although the quantitative evidence for proposition 6 was inconclusive). In the subsequent two years examined all types of disclosure decreased, tentatively indicating that the increase in Y_1 could have possibly been an intentional organisational attempt to address the threat.

Table 7.2 A summary of the quantitative findings: year-to-year change

CSD	<i>Pre-accident</i>	<i>Post-accident</i>		
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
TOTAL	2%	8%	(29%)	(41%)
H&S	(20%)	74%	(26%)	(34%)
POSITIVE	(9%)	14%	(33%)	(32%)
NEGATIVE	(7%)	37%	(23%)	(51%)
H&S POSITIVE	(5%)	39%	(34%)	0%
H&S NEGATIVE	(7%)	111%	(6%)	(61%)
SUBSTANTIVE	(14%)	25%	(22%)	(47%)
SYMBOLIC	(39%)	(8%)	(41%)	(24%)
H&S SUBSTANTIVE	(31%)	76%	(13%)	(53%)
H&S SYMBOLIC	26%	68%	(55%)	42%

It could be also tentatively argued that the findings from quantitative CA suggest BA acted as ethics pragmatists towards its CSR. This is particularly so, given the findings that BA proportionally increased the use of flexible and cheap supplementary data reporting in Y_1 , and that it considerably decreased all types of CSD in Y_2 and Y_3 . This could be interpreted as a sign that the Y_1 peak was to address the increased stakeholders' concerns. It is, nevertheless, particularly, the qualitative analysis findings, which demonstrated that BA adopted a non-ethical and mostly pragmatic stance towards CSR, with emphasis on employing it as a means of improving its reputation, by e.g. emphasising the social and economic contributions of aviation and increasing its H&S assurances following the accident. BA explicitly acknowledged the need to satisfy its stakeholders' needs and how this further contributed to its reputation, but often attempted to opportunistically employ social and environmental arguments to promote its own interests, particularly to the government, as in the case of Terminal 5. The evidence in BA's case thus lends support to social contract theory and to reactive CSR arguments, although some proactive arguments were also identified.

Table 7.3 BA and the research questions

What is the underlying CSRes position?	The qualitative evidence supports the contention that BA's underlying CSRes position was mostly ethics pragmatism, although BA also appeared at times to be opportunistically driven.
Is CSR strategic or ethical?	Some quantitative support that BA took a strategic stance. Predominantly image-focused qualitative evidence provides additional support.
Is CSR reactive or proactive?	Supportive quantitative evidence that BA reacted to the accident by increasing CSR. The qualitative evidence further included mostly reactive arguments of a pragmatic nature, although some proactive arguments were also noted.
Can CSR be explained by social contract?	Some quantitative support. Qualitative evidence further supportive, with, e.g. frequent references to the importance of meeting the expectations of a variety of stakeholders.

7.3 The case of Air France (AF)

7.3.1 Introduction

AF was founded in 1933 following a merger of the major French airlines at the time (AF, 1999AR). Since then, AF has emerged as one of the world's largest airlines. At the time of the Concorde accident, which is the 'legitimacy threat' that is the focus of this case, the company was in third place in the global rankings in terms of international passengers transported (AF, 2002AR) and by the end of 2003 had reached first place in Europe in terms of traffic (AF, 2003AR).

In the years investigated prior to the accident, the privatisation process of AF was initiated (1999 - "a major step in the Company's existence" [AF, 1999AR, p.2]) and the company also became a founding member of the SkyTeam global airline alliance (2000). Details of the Concorde accident are provided in section 7.2.2 in the preceding case study; thus the discussion can proceed directly to review the collected quantitative and the qualitative evidence. This is followed by the concluding section of the case study.

7.3.2 The quantitative CA evidence

Propositions 1 and 2: Following a legitimacy threat, the level of total CSD and particularly the level of H&S CSD will show a notable increase

For the purposes of the quantitative analysis only the examined period's ARs have been considered due to (un)availability of the stand-alone reports. Details on the type and number of pages of these excluded documents were obtained from CorporateRegister.Com and are provided in Table 7.4.

Table 7.4 AF stand-alone reporting in the period 1999-2003

Year of publication	Type of report	No of pages
1999	Environmental	35
2000 (July)	Social	45
2000	Environmental	39
<i>2001</i>	<i>Environmental</i>	<i>51</i>
2002	Environmental	NA
2003 (Oct)	Environmental	54

Source: CorporateRegister.Com

Considering that:

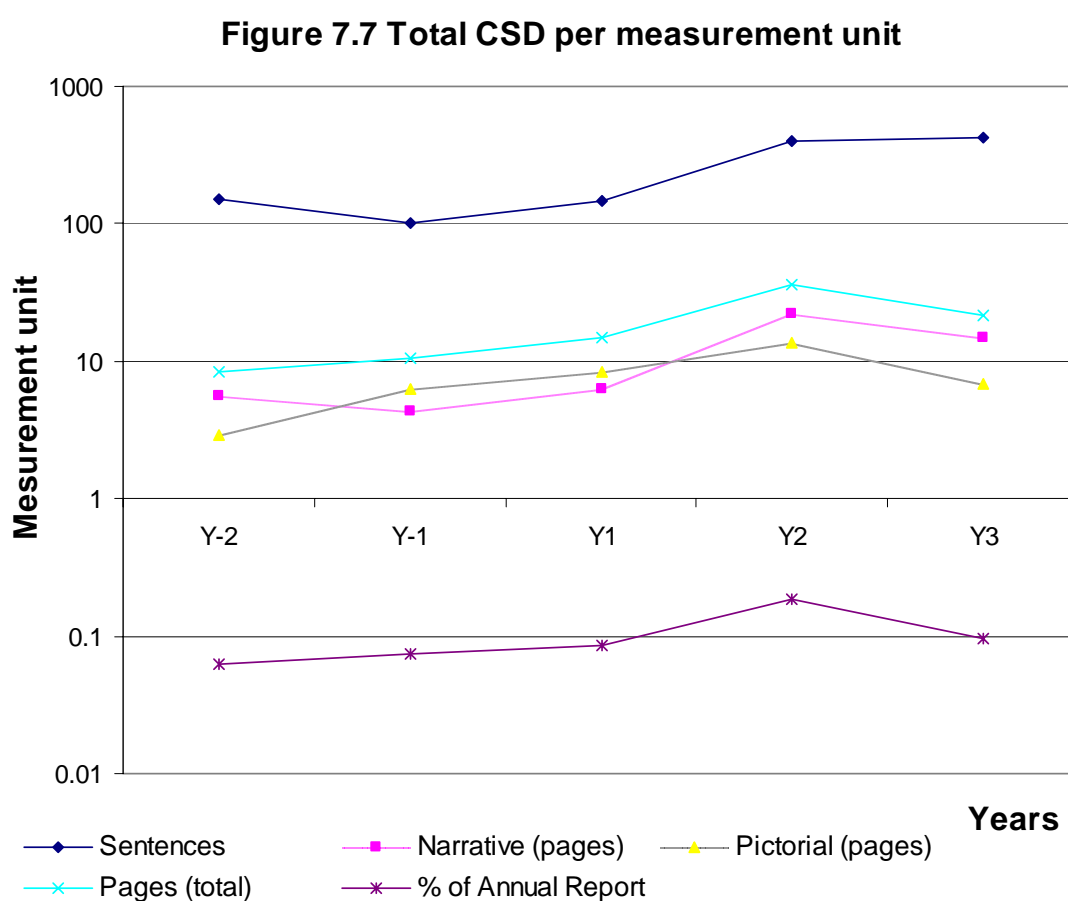
- The social report was published in the month of the accident; thus, if it had been available, it would have been recorded as published in the pre-accident period
- As demonstrated in section 6.3, the levels of stand-alone disclosure per year exceed considerably those of AR disclosure,

then, the total CSD (if the stand-alone information was available) would appear to drop in the year following the accident. However, since the social report was published at a time very close to the accident, it could still serve as a legitimization tool for AF (this was in fact the only such report that AF has ever published). In addition, as Table 7.4 further illustrates, the environmental reporting information kept rising in the years following the accident. It appears, therefore, that the sole examination on AF's Annual Reporting may still be useful towards investigating the set propositions. Naturally, any inferences from AF's quantitative analysis are subject to this limitation.

Figures 7.7 and 7.8 (see also Tables 1 and 2 in Appendix Jii) summarise the findings for propositions 1 and 2. The findings lend some support to both propositions 1 and 2, since following the accident (Y_1) the levels of total and H&S CSD in the AR increased

notably. With regards to total CSD, this increase ranges from 15% (proportion of AR) to 42% (sentences), with the increase in pages reaching 39%. In addition:

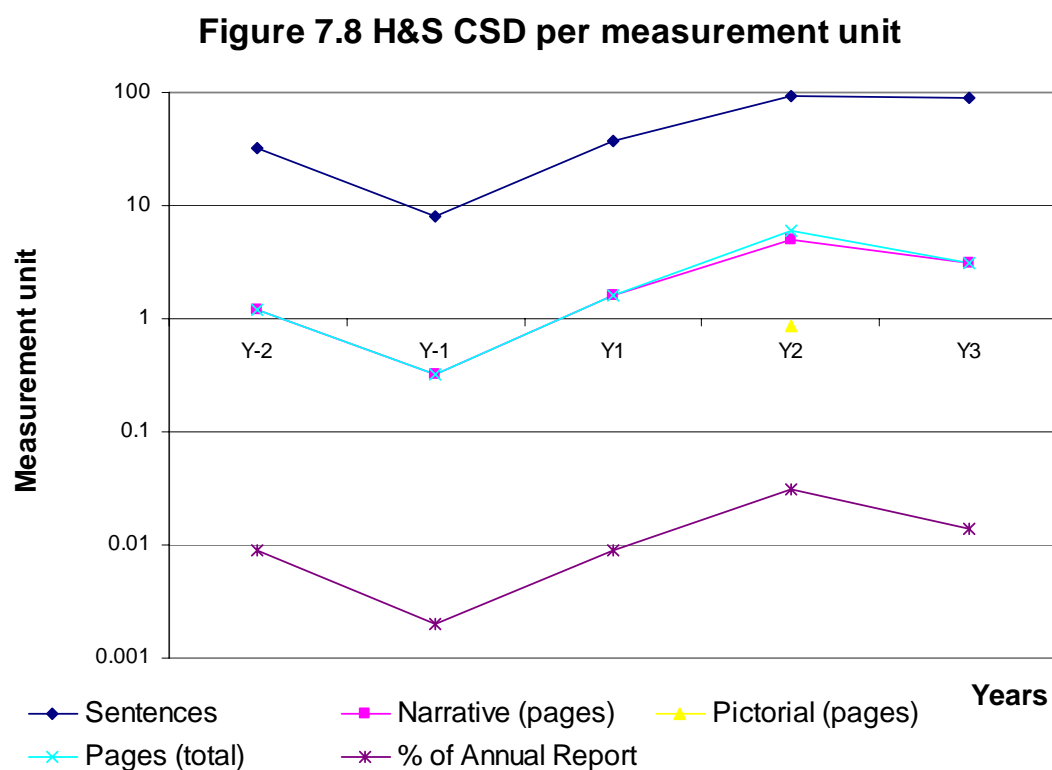
- Y_2 represented a peak in total disclosure over the five-year period for most measurement units (with the marginal exception of sentences)
- For all measures, the disclosure remained throughout the post-accident period in higher than Y_{-2} levels, indicating that the accident could have possibly triggered an incremental increase in the amount of CSD.



As Figure 7.8 illustrates (see also Table 2, in Appendix Jii), the tentative support for proposition 2 is comparatively stronger than for proposition 1. H&S disclosure's

increase ranged from 350% (% of AR) to 400% (pages). The H&S disclosure largely followed the patterns of total CSD in that:

- For all measurement units the H&S disclosure originally decreased in Y_{-1} to then increase for two years and reach a peak in Y_2 , before decreasing in Y_3
- For all measures, the disclosure remained throughout the post-accident period at higher than Y_{-2} levels



In Y_2 the total CSD impressively increases by 145% and the H&S CSD (albeit increasing at a lower percentage than Y_1) by 268%. In Y_2 , AF started calling its AR ‘Annual Report and Sustainable Development’ and introduced large dedicated sections to each main area of its CSR activities. The fact, though, that the disclosure substantially fell in Y_3 (by 40% in pages) was not a supportive sign of an organisational genuine attempt to engage with sustainability.

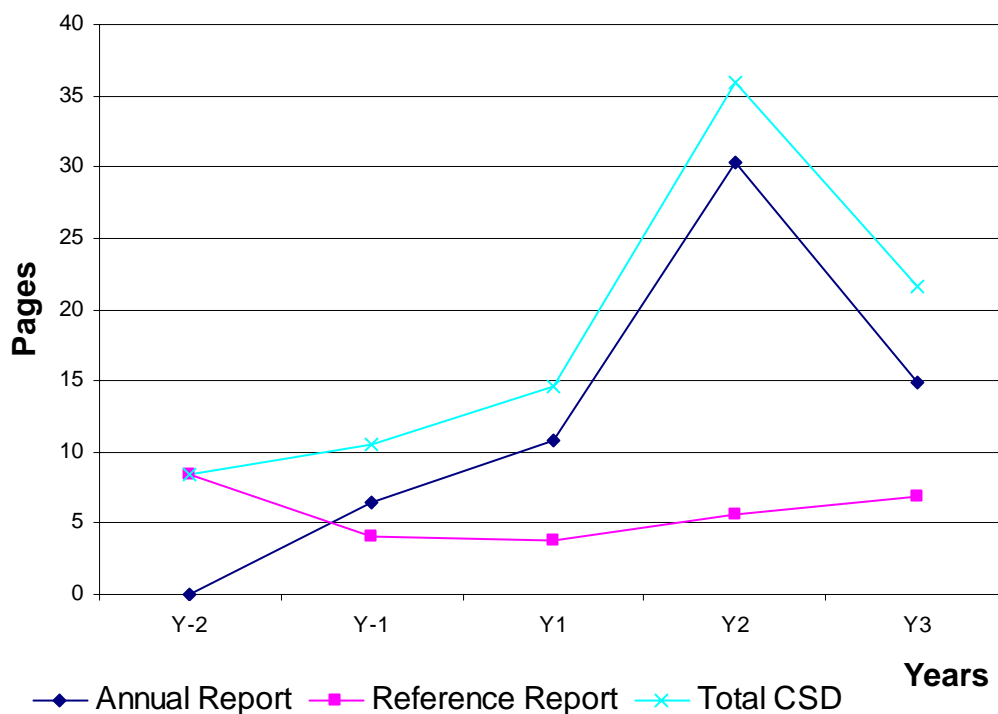
The further increase in disclosure in Y_2 could be possibly perceived as a response to the major legitimacy threat that the whole industry faced following the September 11th attacks. It should be noted, however, that AF was not affected as much as most airlines by these events and still recorded profits in that year. AF mainly attributed this to the diversification of its product and to the fact that the African, Caribbean and Indian Ocean markets continued to perform well. From a resource point of view, this may have allowed AF to restructure its AR by giving it a stronger CSR focus, and further invest in improving its stand-alone reporting.

An alternative explanation may be that AF did not have enough time to better prepare its response in Y_1 . The Y_1 report covered the reporting period 1999-2000, and was thus most likely published at a time very close to the accident (July 2000). This proximity may have consequently led AF to postpone its CSR response. The fact that most of the H&S disclosure in the Y_1 report primarily consisted of general safety assurance statements (in large typeface, - as discussed more extensively later) may also be seen as an indication of AF not having enough time for an immediate substantive response. In addition, since the release of its first social report also coincided with the accident, this may have deterred AF from disclosing additional information in Y_1 .

The increased elapsed time from the accident may have allowed AF not only to increase the amount of the disclosed CSR information, but also improve its quality in both Annual and stand-alone reporting. As Figure 7.9 illustrates (see also Tables 3 and 4 in Appendix Jii) AF published annually two documents placed in a folder labelled AR: an 'overview' of the year (which is referred in the graph as 'Annual Report') and a 'reference document', which was strictly accounting focused and contained minimal CSD. In Y_1 the increase in the levels of CSD for the AR document reached 69%, whilst the reference one had a decrease in disclosure of 8%. In Y_2 , however, both the documents considerably increased their levels of CSD. Following the complete restructuring of the reviewing document and its renaming as 'Annual Report and Sustainable Development', the increase in its levels of CSD reached 179%, whilst the

reference document CSD also increased by 49%. It should be noted, however, that the levels of CSD in the reference document remained for the rest of the period examined at lower levels than Y-2, potentially due to the increased disclosure in the AR.

Figure 7.9 Source of CSD



AF apparently also improved the quality of its stand-alone reporting. As it notes:

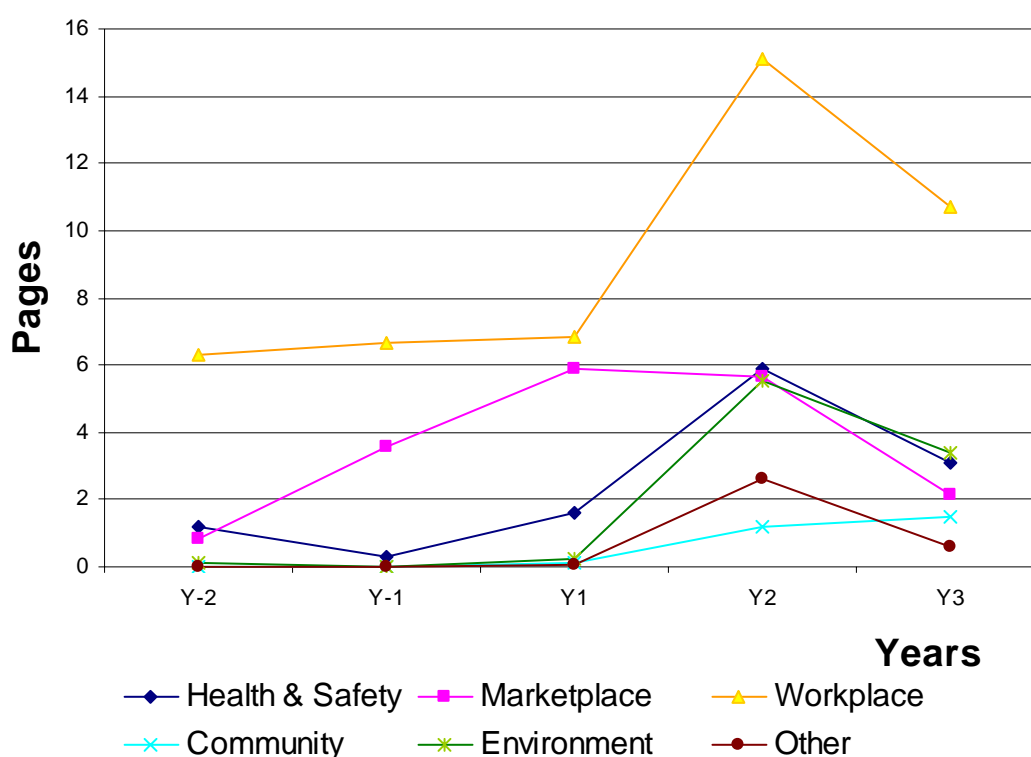
in 2002, and for the second consecutive year, the sixth Air France environmental report (2001-2002) was selected by the Council of French Chartered Accountants to represent France in the European Sustainability Reporting Awards (ESRA), designed to reward the best environmental or sustainable development report published by European companies” (AF, 2003ER, p.2),

revealing that both the environmental reports following the Concorde crash were commended for their quality.

The increased quality regarding CSR disclosure in the first two post-accident years was also reflected in the way AF allocated disclosure in its AR at the time. As Figure 7.10 illustrates (see also Tables 5 and 6 in Appendix Jii):

- All disclosure themes increased in Y_1 , with H&S showing the greatest increase (400%) followed by the marketplace (64%)
- Most disclosure themes further increased in Y_2 (with the marginal exception of marketplace) and decreased in Y_3 (with the exception of community)
- Workplace remained the most popular disclosure theme throughout the five-year period

Figure 7.10 Theme of CSD



The increase in Y_1 for all CSR themes could be possibly interpreted as an organisational attempt to address more stakeholders and defend legitimacy. The marketplace disclosure in Y_1 was mostly about expansions in the company's flying network and for the first

time in the examined period AF made some disclosure pertaining to community and the environment in that year. Although during the same period AF was also publishing a stand-alone environmental report, interestingly in the first two ARs examined there was not even a reference to it. The Y_2 increase in the levels of CSD reflected the change in the structure of its AR and the stronger CSR focus. Despite the decrease in Y_3 , the disclosure remained at a higher level than Y_2 .

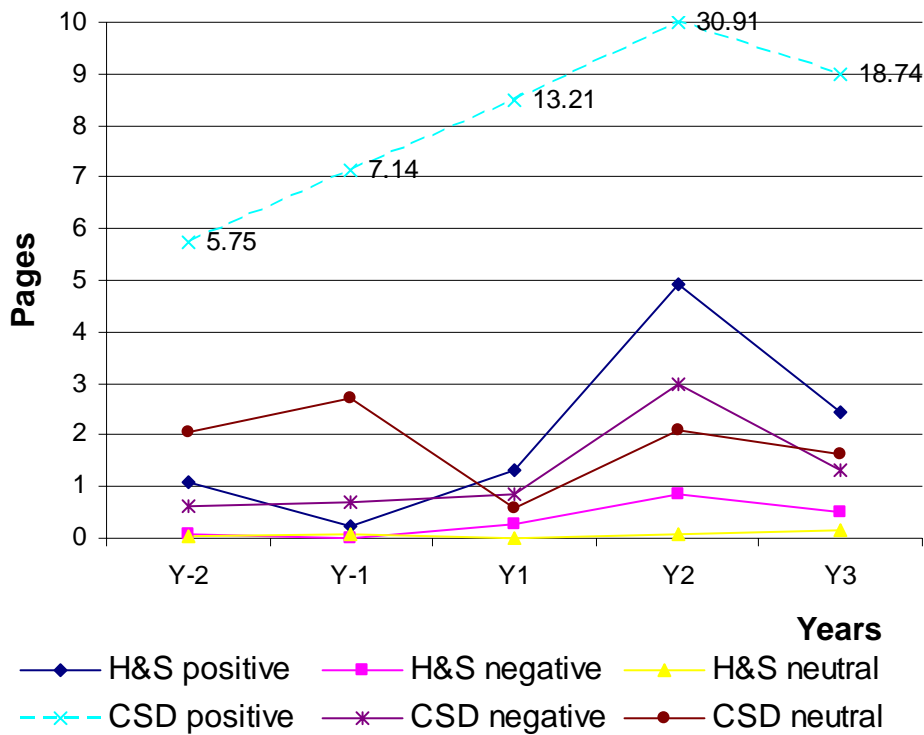
It could be argued that AF's probable attempt to address more comprehensively its stakeholders' needs following the Concorde accident was also evident in the year-to-year changes in thematic proportions. Prior to the accident AF was only reporting on three themes (workplace, marketplace and H&S) whereas in the subsequent years it disclosed in all 6 categories. The fact that workplace remained the more popular theme reflected the strong AF emphasis on industrial relations. This will be discussed more in the qualitative analysis section. The reports also had a strong focus on customer service, particularly in the years preceding the accident. The reason this was not reflected more emphatically in the disclosure, was that information such as its new cabins or larger menus and offers, was excluded from the analysis on the grounds of not being considered CSR. In Y_2 following the AR reshaping, CSD appeared more proportionately balanced among themes. This was interestingly reflected also in the reference document, which in the last two years included discussions on the environment, community and creditors and a greater focus on H&S. Previously the latter solely pertained to fleet renewals and the CSD in the document was almost exclusively about consumer and employee topics.

Propositions 3 and 4: Following a legitimacy threat, the level of positive CSD and the level of negative CSD will show a notable increase

The findings in terms of positive vs. negative CSD for the total and H&S disclosures are summarised in Figure 7.11 (see also Table 7 in Appendix Jii). Both positive and negative disclosures increased in Y_1 (it seemed to be at the expense of neutral CSD),

lending some tentative support to propositions 3 and 4. All categories of disclosure further rose in Y_2 , following the restructuring of the AR, before decreasing in Y_3 .

Figure 7.11 Positive vs negative CSD

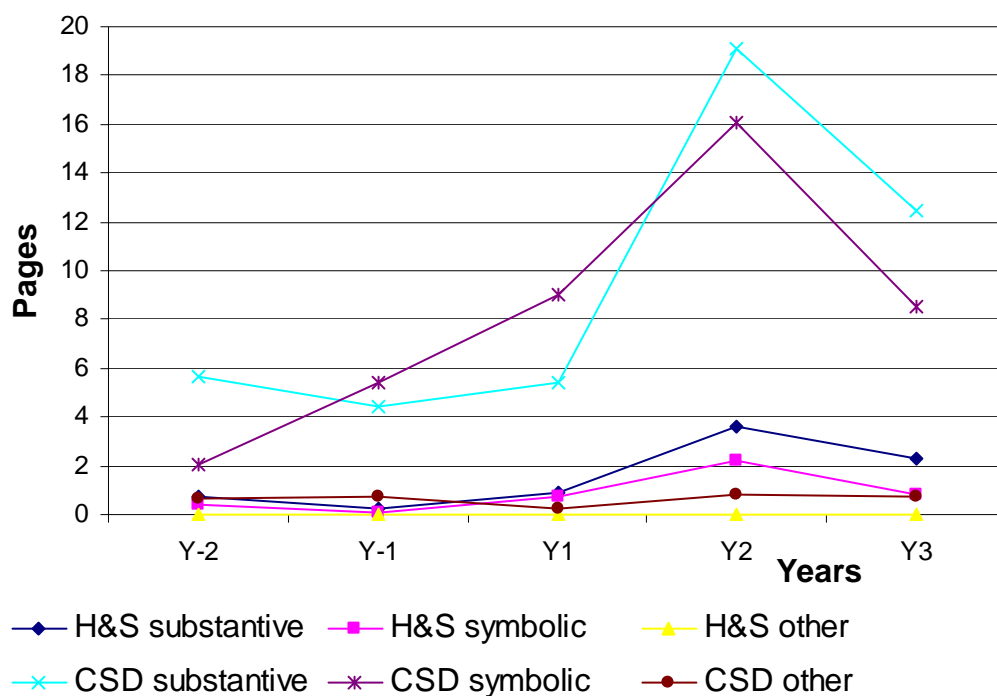


It should be noted, however, that for both H&S and total CSD the proportionate increase in positive disclosures in Y_1 was greater than the average related increases in the period (i.e. 424% as opposed to 400%; and 85% as opposed to 39%, respectively). This was not the case for the Y_2 CSD, where, particularly, the increase in total negative disclosures was considerably higher than the positive ones. This could be interpreted as an organisational attempt to disclose positive and suppress negative news to improve image. This argument is further strengthened when the evidence on the substantive vs. symbolic distinction is considered, as discussed next,

Propositions 5 and 6: Following a legitimacy threat, the level of substantive CSD and the level of symbolic CSD will show a notable increase

Figure 7.12 presents the findings in terms of substantive vs. symbolic CSD for both total and H&S disclosures (see also Table 8 in Appendix Jii). It could be argued that the findings lend some support to both propositions 5 and 6, since in Y_1 both substantive and symbolic CSD increased, for both H&S and total CSD. Both substantive and symbolic disclosures further increased in Y_2 , reflecting the rise in total CSD, before decreasing in Y_3 .

Figure 7.12 Substantive vs symbolic CSD



Importantly (particularly given the above findings as regards the greater increase in positive than negative CSD), AF increased its symbolic rather than the substantive CSD to a considerably greater extent, in respect of both H&S and the total. This was in contrast to the subsequent year, where the substantive disclosure increased in greater extent than the symbolic for both H&S and total CSD. It would appear that, possibly due

to the proximity to the accident, AF did not have enough time for an immediate substantive response and hence employed primarily cheap and flexible symbolic means to react to the threat. Particularly with regards to H&S, AF mainly appear to have done so by including, in a number of section subheadings, some assurances in large typeface – as detailed examples under the qualitative evidence section illustrate.

7.3.3 The qualitative CA evidence

The data unavailability and the restructuring of the AR in 2002 have also had an impact on the qualitative analysis, as reflected in the summary of the ‘pattern matching’ activity (Table 7.5). It could still be noted, though, that the majority of the supporting evidence pertained to ‘pragmatism’. It should be noted that for the purpose of the qualitative analysis, AF’s 2003 (Y₃) Environmental Report was also considered (this was not considered in the quantitative analysis in order to enhance comparability of the results, since it was the only one available in the five-year-period) and contributed considerably to the discussion.

In the first three years, the ARs were customer focused. AF often repeated that it consider “customer satisfaction the keystone” (2001AR, p.49). In that period, the company further emphasised the importance of achieving minimal labour disruptions, primarily for its customers’ benefit:

Within the Company itself, this year should herald a period of social peace through new labour agreements. Avoiding conflicts which penalize us, striving towards quality and working to perpetuate stable labour relations and jobs, benefit our customers, investors and employees... The focus is of course on customer satisfaction: restoring punctuality, guaranteeing quality service, building on our products, and developing Paris-Charles de Gaulle into Europe’s most powerful hub” (AF, 1999AR, p.3).

Table 7.5 Summary of the ‘pattern matching’ activity for AF

	Pre-accident		<i>Y_I</i>	<i>Post-accident</i>	
	<i>Y₋₂</i>	<i>Y₋₁</i>		<i>Y₂</i>	<i>Y₃</i>
Stakeholder capitalism	[no reference]	[no reference]	[no reference]	Acknowledgment of responsibility ‘with respect to different environments’; explicit reference to awareness of duties to stakeholders; engagement with community involvement programmes; initiation of additional safety measures.	Reference to integration of environmental policy in the production process, involving all staff; a few mentions of commitments to sustainable development, ethics and transparency; reference to commitment to cleaner technology even if more costly, despite the difficult times for the aviation industry
Ethics pragmatism	Focus on achieving minimal labour disruptions	Focus on achieving minimal labour disruptions and attempts to present this as benefiting customers, investors and employees	Frequent symbolic references to commitment to H&S following the accident; provision of accounts in detail on safety procedures; frequent attempts to change its reports’ headings to reflect an H&S focus.	Reference to employees as being important stakeholders; mention that responsibility and profit can be combined; reference to additional attempts to be responsive to Sep 11 th re H&S.	Explicit reference for CSRes contributing to image; significant emphasis on sustainability as involving balancing environmental with social and economic needs; frequent reference to the importance of dialogue with unions; reference to sustainability as public expectations’ driven; references to ‘trade-offs’ between sustainability criteria

(Table 7.5 continued)

	Pre-accident			Post-accident	
	Y ₋₂	Y ₋₁	Y _I	Y ₂	Y ₃
Ethics Opportunism	Explicit reference to measures taken to anticipate regulatory developments regarding noise standards	[no reference]	[no reference]	Explicit reference to agreements signed with trade unions to anticipate future EC regulations re CSRes; some attempts to question the efficiency of fuel tax (as distorting competition).	Explicit references to CSRes as having a positive impact on image and on share price
Other Evidence	[no reference]	[no reference]	[no reference]	Reference on addressing Sep 11 th with a responsive, cohesive and responsible attitude	Reference to its sustainable development approach as involving H&S and equal opportunities at work; significant emphasis on environmental policy being key component in AF's growth strategy

When AF attempted to justify its wage freezes (a major cause of disruption at the time), it explain in large typeface its wish to, “Be profitable for everyone’s benefit”:

By accepting the salary/share exchange scheme on a voluntary and individual basis, as well as the wage freeze, 79% of the pilots committed themselves to a process of reducing costs and improving Company profitability... The new status of Air France, a company now quoted on the Stock Exchange, has led to a different approach in terms of attitude and operating methods (AF, 1999AR, p.36).

In the reports after the accident, AF declared its commitment to its environmental policy in spite of the difficult times for the air transport industry:

2002-03 was the most difficult year ever experienced by the air transport industry since World Ward II... Against this background, which led airlines to seek drastic reductions in costs, Air France did not drop its guard but pursued the development of its environmental policy. Furthermore, it protected the investments it had set aside for that purpose as, in spite of the current climate, this policy and the required investments are a key component of its growth strategy (AF, 2003ER, p.1).

AF explained that its commitment to its environmental policy was part of a broader engagement with sustainability, transparency and humanitarian principles, implying it endorsed ‘stakeholder capitalism’ and its holistic accountability premise:

Integration is the watchword. Environmental protection is not simply something we think about once our growth strategy is well under way. It is an integral part of the production process, whether we are talking about seats, freight or maintenance. It represents a collective commitment, reflected in the environmental action plans implemented since 2002. It involves all the Company’s staff and subsidiaries as well as suppliers and partners (AF, 2003AR, p.1).

Our commitment goes even further. It is part of a broader concept of the Company’s place in society, which is to ensure sustainable development in every area. This includes the local and global environment dealt with in this report, relations with residents living close to the airport, with local authorities and the Group’s partners, and on a wider scale, the safeguarding of consensual labour relations and jobs at Air France in 2002-03, as in 2001-02. For us, sustainable

development also implies compliance with ethical and humanitarian intervention principles, as well as sincerity and transparency both in operations and in the accounts. This is how Air France intends to continue to be the responsible company it considers it should be (AF, 2003ER, p.1).

By quoting some experts' views (and thus implicitly endorsing them) AF appeared to be willing to forgo some profit to increase the environmental benefits:

The aeronautical industry should continue its efforts to develop programs on cleaner technologies, even if further advances in aircraft technology are more costly and will produce smaller gains when compared to past decades (AF, 2003ER, p.19).

And indeed, following September 11th events, the company even seemed to be doing so, by initiating additional safety measures:

Lastly, the Company's responsiveness was demonstrated by the safety measures initiated immediately following September 11. The Company acted rapidly, going beyond new regulatory requirements. It initiated passenger counts on all flights, ground monitoring of aircraft, the presence of security guards on certain flights and controls of hold baggage using explosive detectors. The cost of these measures, partially reimbursed by the French government this year in the amount of EUR 24 million, continues to weigh on the Company's accounts (AF, 2002Ref, pp. 14-15).

Despite that the above evidence could be perceived as stakeholder capitalism signs, AF's CSR approach nevertheless seemed to be inclined to pragmatism when it implicitly endorsed an 'expert's' view on sustainability as involving: "balancing environmental considerations with economic and social ones" (AF, 2003ER, p.5). This more 'pragmatic' balance seemed to be central on its sustainability approach:

Similarly to environmental and economic responsibility, our social responsibility covers all our activities and organizations. This cross-functional approach, symbolic of the interactions underpinning sustainable development, is at the heart of Project Major. It underlines the validity of a strategy which gives priority to the long term and is based on a single key factor: balance. It is this sense of balance which gives me confidence in the future and in our ability to adapt to new market conditions and operating methods. We are ready for the future (AF, 2003AR, p.3).

Balancing the economic benefits and environmental costs is crucial to the growth of commercial aviation. We are committed to the long-term health of the aviation industry. Our goal is safe, efficient, affordable airplanes with excellent environmental performance. That would allow all of us to breathe easier (AF, 2003ER, p.27).

In an attempt to downgrade aviation's environmental impacts and potentially justify any negative CSRes results, AF further presented 'pragmatic' trade-off arguments:

In view of the scientific uncertainties which remain regarding the effects and impact of air transport on the environment, a 'trade-off', carefully thought-out approach is essential. Efforts to reduce noise emissions, for example, may hamper those undertaken elsewhere to cut fuel consumption. Such trade-offs... are commonplace in the aviation industry (AF, 2003AR, p.23).

Regardless of the solution [to green house gas emissions] chosen, it must satisfy a threefold objective. It must: not distort competition, be environmentally efficient, meet the collective travel of all citizens (AF, 2003AR, p.24)

The company seemed to implicitly endorse the 'expert's' view on sustainability, indicating that its sustainability attempts were expectations driven:

the most important thing for aviation's sustainable development, while contributing to the improvement of the world's welfare, is to minimize the adverse effects of aviation on the environment in order to heed citizens' concerns (AF, 2003ER, p.14).

On a number of occasions AF noted how important it was for it to anticipate future regulations in respect of CSRes. This deviates from its proclaimed sustainable development, ethical and humanitarian-focused approach:

Faced with an increasingly stringent regulatory environment limiting noise pollution generated by air traffic, the Company has taken a certain number of measures to anticipate regulatory developments. To that end, 91% of the Group's subsonic aircraft already comply with the strictest noise pollution regulations promulgated by the ICAO [International Civil Aviation Organization] (AF, 1999Ref, p.20).

On June 25, 2001, Air France brought into force a Charter signed by all the trade unions... The Charter has mainly been drawn up to... anticipate on future EC regulations on a form of corporate social responsibility that takes social and environmental concerns into account, as laid out in the European Commission's Green Paper on Corporate Social Responsibility (CSR) (AF, 2002AR, p.36).

Additionally, AF's Chairman acknowledged the benefits in image and share price by the company's social responsibility strategy, in a clearer opportunistic, 'win-win' argument:

As for our social responsibility, this is expressed through our long-term agreements, which provide a solid foundation for our social policy, important both for the employees and the Company itself. The latest agreement is the long-term draft agreement which has just been approved by the pilots and which should form the basis for stable labour relations over the next three years. This obviously has a positive effect on the quality of our service to our passengers, on our share price and on our image compared to other transport players (AF, 2003AR, p.3).

Nevertheless, AF's image-focused approach was perhaps most evident in its apparent attempts to change the headings in its Y₁ report to better reflect its H&S focus. In this report, on five occasions (compared to one in Y₋₁'s report) it includes the term 'safety' in a heading. It is also particularly interesting to note how it changed the wording of these AR headings as Table 7.6 illustrates.

Y_{-I}	Y_I
<p>Since it was founded, Air France has chosen to carry out its own aircraft maintenance, which gives it full control over safety, punctuality and costs. Two large divisions supply these services: the Maintenance Division and the Industrial Engineering Division (AF, 2000AR, p.26)</p>	<p>Safety is a priority at Air France. Ever since it was founded, the Company has insisted on maintaining its own aircraft. And besides maintenance, this strategic choice has provided enhanced management of its aircraft and control over its operating costs. It also means it can add value to this activity (AF, 2001AR, p.36).</p>
<p>Air France aims to implement a profitable strategy of growth. It intends to finance its development through cash flow from operations, restored profitability and a tight rein on costs (p.34)</p>	<p>As it strives to offer the best possible service, an airline has to ensure its own profitability, thereby also guaranteeing passenger safety and comfort (p.46).</p>
<p>A flight that arrives on time, discreet, attentive personnel, services that measure up to expectations, a quality welcome: in short everything a passenger might expect from a world-class airline. This is what Air France has to deliver to win its customers (p.32).</p>	<p>By safely flying its customers in the simplest, fastest, more comfortable way possible, regardless of their destination, Air France hopes to ensure that it becomes – and stays – its customers preferred airline (p.15).</p>

Table 7.6 AF changing the emphasis

7.3.4 Conclusion

Tables 7.7 and 7.8 summarise the findings from the quantitative CA and the ones in respect of the research questions, respectively. Despite its proclaimed commitment to sustainability and acknowledgment of wider accountabilities, both the quantitative and qualitative evidence suggests that AF did not seem to be ethics-motivated towards CSR.

As Table 7.7 illustrates, in Y_1 all examined types of CSD went up, lending tentative support to all the study's propositions. This was followed by a further increase in Y_2 , reflecting the restructuring of the AR (although in the case of H&S notably in lower proportions). In Y_3 all examined types of CSD decreased (although CSD remained at higher levels than Y_2), indicating that the Y_1 and Y_2 increase was not a sustained attempt for increase in CSR but possibly an attempt to address the threat.

Table 7.7 Summary of the quantitative findings: year-to-year change

CSD	<i>Pre-accident</i>	<i>Post-accident</i>		
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
TOTAL	25%	39%	145%	(40%)
H&S	(73%)	400%	268%	(47%)
POSITIVE	24%	85%	134%	(39%)
NEGATIVE	11%	24%	242%	(56%)
H&S POSITIVE	(77%)	424%	277%	(50%)
H&S NEGATIVE	(100%)	∞	197%	(43%)
SUBSTANTIVE	(22%)	23%	251%	(35%)
SYMBOLIC	162%	66%	78%	(47%)
H&S SUBSTANTIVE	(64%)	222%	313%	(36%)
H&S SYMBOLIC	(87%)	1,360%	208%	(65%)

It could perhaps be argued that these were signs of an image – as opposed to an ethics-focused organisation. Particularly given that in Y_3 all types of CSD decreased, AF seemed to be adopting a pragmatic stance, whereby it employed CSR in greater level in a potential attempt to address the legitimacy threat, and not an opportunistic one. It is,

nevertheless, particularly the qualitative findings, which suggest that AF was ‘strategically’ engaging with CSR and CSRes to minimise labour disruptions and balance other social with environmental and economic needs to maintain its licence to operate.

The study’s findings, therefore, indicate that AF’s CSR employment was a pragmatic attempt to heed citizens concerns and improve image and potentially profitability. It should be stressed, nevertheless, that these tentative conclusions are subject to the important limitation that only the company’s ARs of that period were included in the analysis.

Table 7.8 AF and the Research questions

What is the underlying CSRes position?	Both quantitative and qualitative evidence support the contention that AF’s underlying CSRes position was ‘ethics pragmatism’.
Is CSR strategic or ethical?	Some quantitative support that AF took a strategic stance. Predominantly image-focused qualitative evidence provides additional support.
Is CSR reactive or proactive?	Tentatively supportive quantitative evidence that AF reacted to the accident by using CSR. The qualitative evidence demonstrated mostly reactive arguments of a ‘pragmatic’ nature.
Can CSR be explained by social contract?	Some quantitative support. Qualitative evidence further supportive, with references to the importance of meeting the expectations of stakeholders (mostly employees, customers and investors).

7.4 The case of American Airlines (AA)

7.4.1 Introduction

AA is a US-based airline and the world's largest in terms of passenger miles transported and passenger fleet size (also the second largest in number of aircraft operated and in operating revenues). AA was developed through mergers and acquisitions of 82 small airlines in 1930 and is a founding member of the Oneworld Alliance.

Although the group have been involved in a number of accidents since its formation, 2001 appears to be the most catastrophic year in the airline's history: in that year two of AA's aircrafts were involved in the September 11 attacks, one aircraft was involved in an attempted attack and the company also had a fatal accident. The next section introduces these legitimacy threats; the following one the quantitative evidence and the penultimate the qualitative. The concluding section summarises the findings.

7.4.2 The incidents⁴⁵

Two AA aircrafts were hijacked and crashed in the 11 September 2001 attacks. AA Flight 11, a Boeing 767, departed from Logan International Airport, serving Boston, at 08:00 local time and was on a non-stop transcontinental service destined for Los Angeles, California, when hijacked by five suspected members of the infamous al-Qaida terrorist organisation. At 08:46 local time the plane crashed into the North Tower of the World Trade Center, a complex of buildings located on lower Manhattan Island that had for approximately three decades served as perhaps the most recognisable symbol of American economic power. Less than 20 minutes after the first strike, the hijacked United Airlines Flight 175, another Boeing 767, crashed into the south side of the South Tower of the building. Damaged by the force of the impact and by the subsequent fires,

⁴⁵ It should be noted that the term 'incidents' (as opposed to the term 'accidents', that is used in the discussion of all the other cases) is preferred in this case, considering that these also include the September 11th attacks. In the other chapters, however, the term 'accidents' is used when collective references to the investigated legitimacy threats are made, to avoid long and complicated arguments.

both Towers collapsed within two hours of the first strike. Among the 2,759 persons who perished in the attack were all 92 on board the AA aircraft (81 passengers and 11 crew) and 343 members of the New York City Fire Department, whilst over 6,000 others on the ground suffered injuries (Gero, 2006).

Coordinated with the attacks in New York was the hijacking of AA Flight 77, a Boeing 757, which was intentionally crashed into the Pentagon. Following its departure from Dulles International Airport, serving Washington DC on a non-stop domestic flight to Los Angeles, California, the flight was hijacked by five al-Qaida terrorist suspects and crashed on the American Military symbolic building, located across the Potomac River from Washington. Including all of those aboard the aircraft (58 passengers and six crew), a total of 189 persons perished in the attack, while more than 100 others suffered injuries. Within a year of the attack, the damaged building was completely repaired and the Pentagon resumed its vital function, but with the new role of coordinating the war on terrorism (Gero, 2006).

While AA was still recovering from the terrorist attacks of September 11th, AA flight 587 crashed on 12 November 2001, shortly after take-off from John F Kennedy International Airport en route to Santo Domingo in the Dominican Republic (AA, 2002AR). The A300 crashed in a residential area approximately four miles south-west of the airport. In addition to the loss of all lives on board the aircraft (251 passengers and nine crew members), five others on the ground perished in the disaster. This was the worst aviation accident involving an American commercial aircraft on a scheduled international service and it was attributed by the US National Transportation Safety Board to the co-pilot's overuse of rudder controls, which led AA to modify its pilot training programme.

A further terrorist attempt occurred on AA Flight 63, which was en route to Miami, Florida from Paris, France, on 22 December 2001. During the flight one of the passengers, Richard Colvin Reid, a self-proclaimed al-Qaida operative, carried shoes that were packed with two types of explosives and attempted to detonate them, but was

however noticed by a flight attendant. Although Reid attempted to resist, he was eventually subdued by attendants and other passengers of the aircraft and was arrested on the ground. The failed bombing attempt has been since then known as ‘the 2001 shoe bomb plot’.

As discussed in section 5.9.1.1, the September 11th attacks may be perceived as a ‘macro’-legitimacy threat, pertaining to the legitimacy of the whole industry, and have been taken into consideration when interpreting the findings from all the examined cases in the study. However, considering that two AA planes were directly involved in the attacks (and also that, in that year, AA also suffered the Flight 587 crash and the ‘shoe-bomb’ terrorist attempt took place in one of its aircrafts), it could be argued that these events posed an increased threat to the company’s legitimacy and ultimate survival.

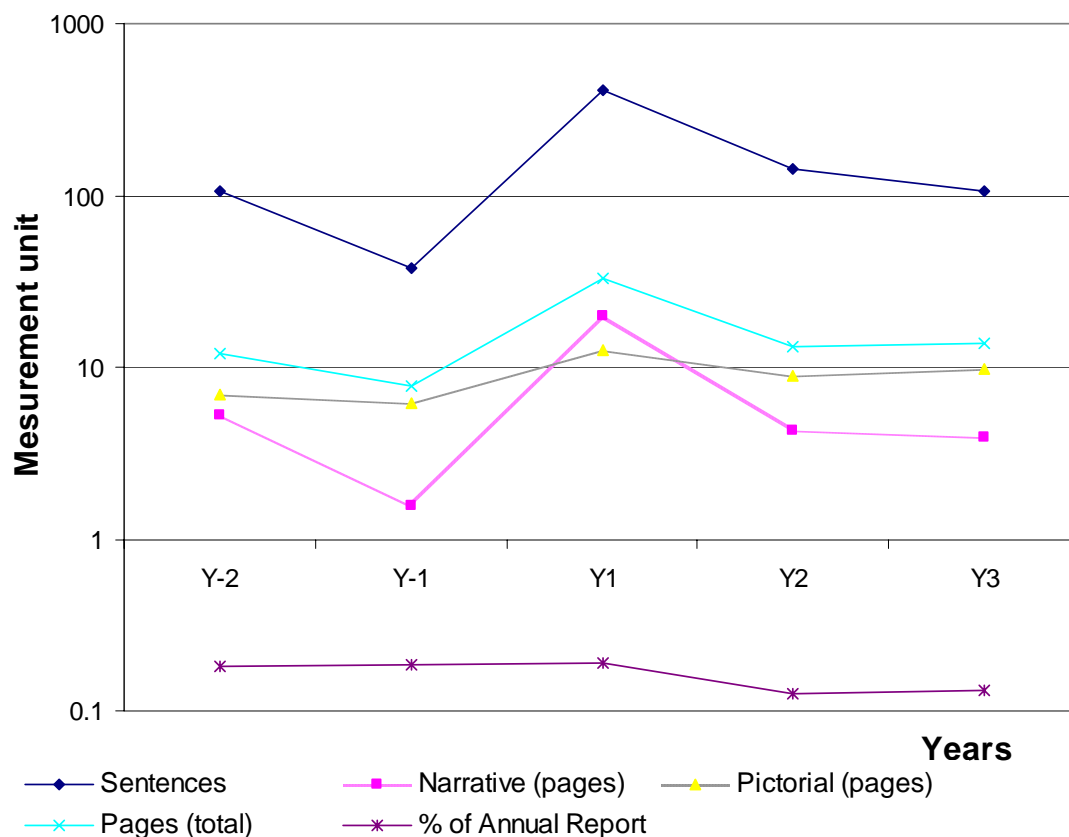
AA indeed (as the subsequent discussion of the qualitative findings reveals) only a year after these events, started considering the possibility of declaring bankruptcy. It’s share price at the end of the year fell by over 55%, it’s passenger revenues by 14% and the company reported USD 1.8 billion losses for 2001, as opposed to the USD 813 million generated profits in 2000 (AA, 2001AR). AA’s reported decline in profit and revenue following September 11th was considerably higher than the ones of the rest of the (competing to AA) airlines examined in this study (with AF in fact increasing its revenues in the first post September 11th year, as discussed in the preceding section). And although a year after the terrorist attacks, passengers numbers in Europe were, by and large, recovered, for AA (and, indeed, most of US carriers) this was not the case, due to the increased concerns over security and the additional inconvenience associated with the increased security checks, which considerably lengthened the journey times (Gahan, 2002).

7.4.3 The quantitative CA evidence

Propositions 1 and 2: Following a legitimacy threat, the level of total CSD and particularly the level of H&S CSD will show a notable increase

The number of legitimacy threats AA faced in 2001 (Y_1) appear to have had an impact on both the total and the H&S disclosure in Y_1 as Figures 7.13 and 7.14 illustrate, lending some support to propositions 1 and 2 (see Tables 1 and 2 in Appendix Jiii).

Figure 7.13 Total CSD per measurement unit



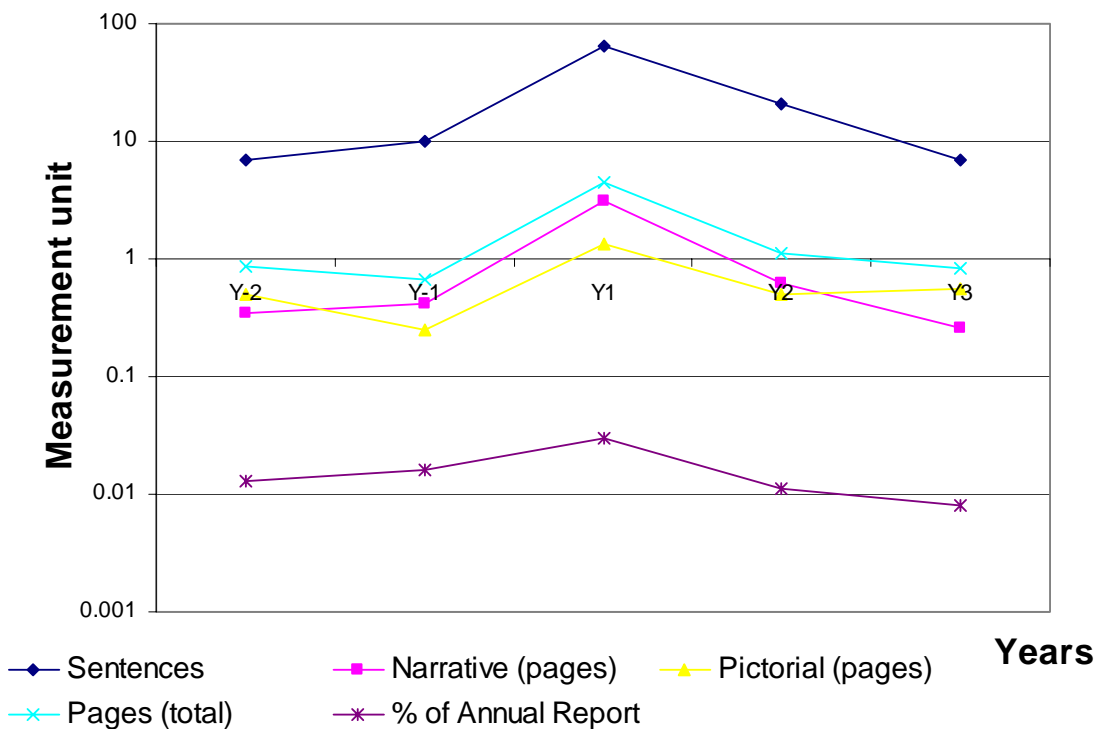
With regard to the total CSD, it can be seen that:

- Y_1 represented a peak in the disclosure over the five-year period across all measurement units

- For all measures, the disclosure fell in Y_{-1} and in Y_2 , and returned to the Y_{-2} levels in Y_3 , indicating that the burst in disclosure was possibly to address the threat

The striking 320% increase in the total disclosure was largely due to the 1,158% increase in narrative disclosure, as opposed to the 106% in pictorial; this was not however consistent with the evidence on the substantive vs. symbolic CSD distinction, as the later discussion reveals. The H&S disclosure increase in Y_1 was even greater than the total uplift, reaching 557%, with more proportionate increases in the narrative and pictorial disclosure.

Figure 7.14 H&S CSD per measurement unit



As Figure 7.14 illustrates:

- Y_1 represented a peak in H&S disclosure over the five year period for all measurement units
- For all measures, the disclosure showed a rising trend until Y_1 (note the considerably higher increase from Y_{-1} to Y_1 as opposed to Y_{-2} to Y_{-1}), and it declined in the last two years, to reach slightly lower levels than Y_{-1} , a finding that, it could be argued, indicates that the Y_1 peak was an attempt to defend and restore legitimacy

As Figure 7.15 illustrates (see also Tables 3 and 4 in Appendix Jiii), disclosure increases dramatically in the subsequent to the incidents reports largely due to the inclusion in the analysis of the 2001 Environmental Report, the only stand-alone report considered. Although AA claimed that the latter was, “the third annual and environmental report presented by American ... since ... 1999” (AA, 2001ER, p.4), it is the only one which is available from the company’s website, with the next ones published in 2007 as also indicated by CorporateRegister.com (AA also confirmed the 2001-2007 CSR reporting gap in its 2007 environmental report). This indicates that AA gave greater publicity to its 2001 report, comparing to its first reporting attempts, and it could be argued that this further suggests that it did so to address the legitimacy threat.

AR disclosure further increased in the Y_1 by 12%. Although the increase in the disclosure was even greater in Y_2 (52%) this was largely due to the more detailed nature of Form 10-K Reports⁴⁶ that were employed, and were the only ones published on AA’s website, in Y_2 and Y_3 . In these reports, AA mainly discussed (and often repeated) issues such as litigation, pensions, stock options and efforts to reduce labour costs.

⁴⁶ Form 10-K is an AR required by the US Securities and Exchange Commission (SEC), with a more technical, detailed and less glossy nature, focusing on issues such as risk factors, market and management’s discussion and analysis, in addition to exhaustively presenting the financial statements. The examined reports in Form 10-K, consequently, contained no images or graphs and the only pictorial information considered was in tabular form.

Figure 7.15 Source of CSD

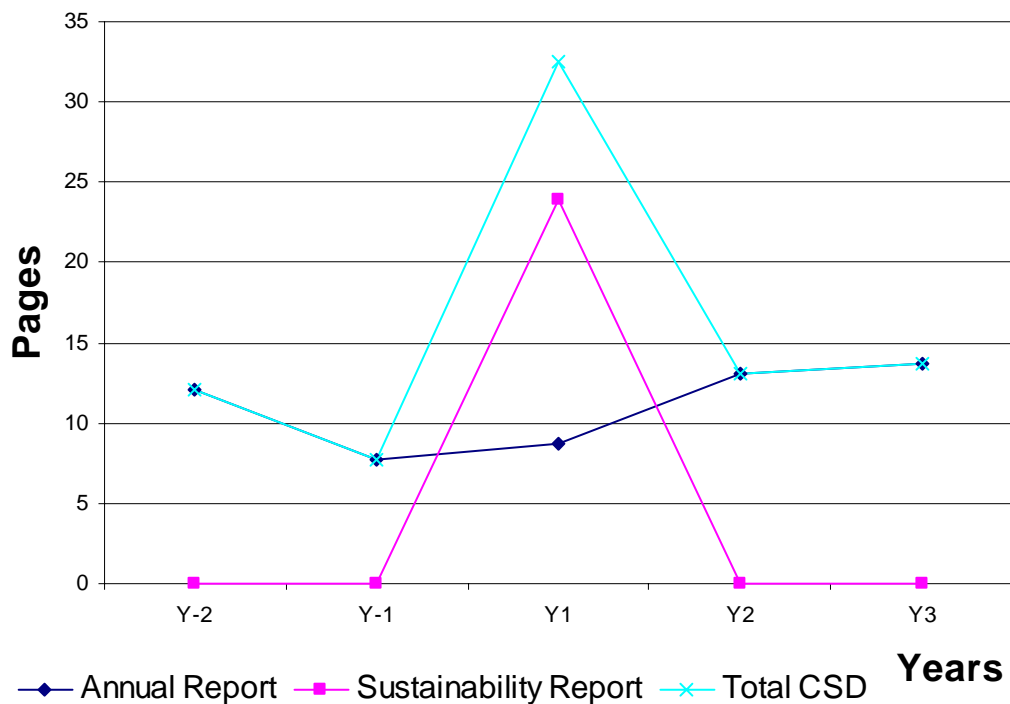
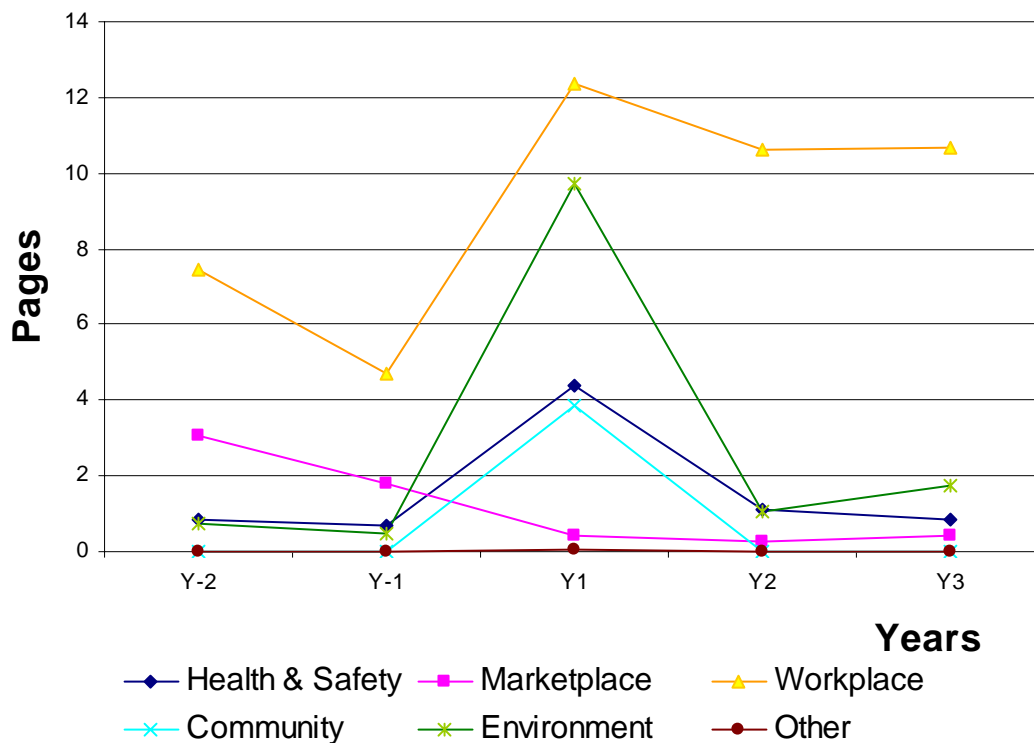


Figure 7.16 (see also Tables 5 and 6 in Appendix Jiii) illustrates the findings per theme of CSD:

- Y₁ represented a peak in H&S disclosure over the five year period for all themes with the exception of marketplace
- All themes of disclosure decreased in Y₂ and generally stayed at the Y₋₂ and Y₋₁ levels, with the exception of workplace
- Workplace remained the most frequent theme throughout the period, followed by the marketplace (for the first two years) and the environment (for the remaining three).
- For the first and only time in Y₁ nearly four pages of community involvement information was provided.

Figure 7.16 Theme of CSD

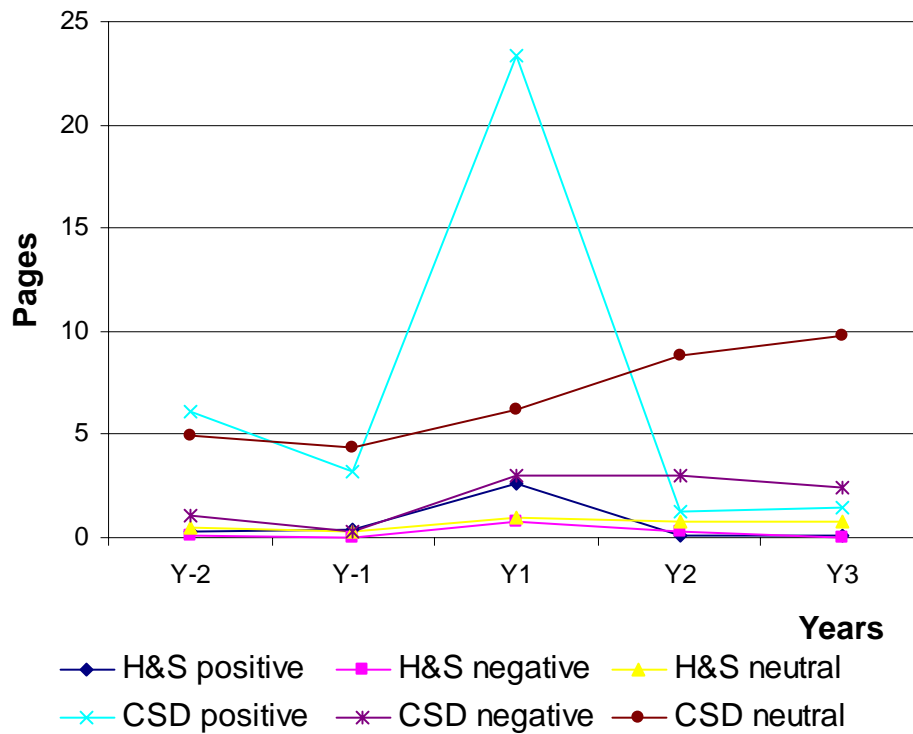


The further decrease in Y_1 of marketplace disclosure was largely due to the gradual shift in pictorial disclosure in the ARs, from portraying images of happy customers to depicting ones of employees on duty. The inclusion in the analysis in the last two years of Form 10-K reports, which predominantly contain employee-focused CSD, boosted the theme's proportions in the period after the accident (81% in 2002 and 78% in 2003).

Propositions 3 and 4: Following a legitimacy threat, the level of positive CSD and the level of negative CSD will show a notable increase

The findings in terms of positive vs. negative CSD for total and H&S disclosures are summarised in Figure 7.17 (see also Table 7 in Appendix Jiii).

Figure 7.17 Positive vs negative CSD



It should be noted that:

- All types of CSD increased and reached a peak in Y_1 (with the exception of the neutral CSD), thus lending some support to propositions 3 and 4
- The increase in positive (both total and H&S) CSD in Y_1 was considerably higher than the other years; it then decreased dramatically in Y_2 to remain considerably lower than the first two years
- The negative CSD remained constant over the last two years.

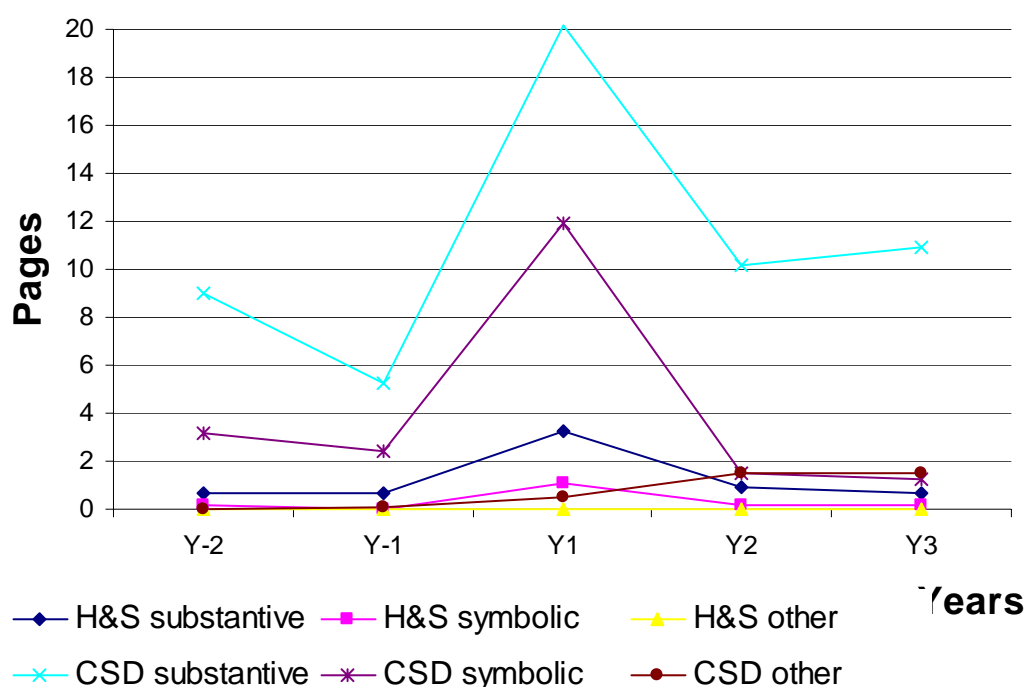
The employment of the Form 10-K report, which contained detailed information regarding, for example, the layoffs, compensations, pensions and ESOP's was the main reason behind the increased levels of negative CSD in the last examined years. Positive CSD in Y_1 included information such as environmental achievements, employee training and community involvement programmes; it could be argued that its dramatic decrease

in the post-accident years would further suggest that the Y_1 increased CSD was part of an attempt to rapidly close the legitimacy gap by showing AA as acting responsibly.

Propositions 5 and 6: Following a legitimacy threat, the level of substantive CSD and the level of symbolic CSD will show a notable increase

Figure 7.18 (see also Table 8 in Appendix Jiii) presents the findings in terms of the substantive vs. symbolic CSD for total and H&S disclosures:

Figure 7.18 Substantive vs symbolic CSD



- All types of CSD increased and reached a peak in Y_1 , lending some support to propositions 5 and 6
- Most types of CSD returned and remained at the pre-incident levels in the last two years, with the exception of substantive CSD, which remained at higher levels

- The symbolic total and H&S CSD increased in Y₁ and dropped in Y₂ in greater proportions than the symbolic total and H&S CSD.

The latter finding gives the impression of an organisation employing symbolic and one-off means to possibly increase its threatened image, as opposed to one committed to CSRes and CSR. Symbolic CSD in Y₁ mainly included detailed discussions of the company's environmental visions and general policies and procedures whilst the fact that substantive total CSD remained in high levels in the last two years could be attributed to the employment of the more 'technical' 10-K reports.

7.4.4 The qualitative CA evidence

Table 7.9 summarises the 'pattern-matching' activity for AA. It could be inferred from this table that there was evidence supportive of all three identified LT variants (and some other evidence that could support more than one variant); it, however, appears that the majority of evidence would suggest that AA adopted a strategic and image focused stance with regard to its CSRes and CSR, which primarily aimed at pragmatically satisfying critical stakeholders' needs (although AA at times argued that its engagement with CSRes could also assist in improving profitability).

AA on a number of occasions made clear reference to the pragmatic need to satisfy multiple stakeholders' needs to ensure viability. And although in the years preceding the incidents it focused on employees and customers, following the incidents it appeared to acknowledge the importance of a greater number of stakeholders:

Table 7.9 Summary of the ‘pattern-matching’ activity for AA

	Pre-accident		<i>Y₁</i>	<i>Post-accident</i>	
	<i>Y₋₂</i>	<i>Y₋₁</i>		<i>Y₂</i>	<i>Y₃</i>
Stakeholder capitalism	References to considering the interests of employees in every decision made	Continuing references to considering the interests of employees in every decision made	References to commitment to sustainability; vision statement supporting conservation; description of business ethics policy; some evidence of integration of environmental policies in practice, e.g. environmental training	[no reference]	[no reference]
Ethics pragmatism	Frequent references to the importance of satisfying multiple stakeholders’ needs to ensure viability; emphasis on employee satisfaction to maintain quality of service and profitability	Continuing emphasis on the importance of stakeholders’ satisfaction to viability; emphasis on criticality to consider the interests of employees at all times	Great emphasis on the importance of employees in ensuring viability; explicit acknowledgement of the critical role of a variety of stakeholders in surviving the crisis; focus on securing safe and convenient air travel	Frequent reference to the need to negotiate cost savings with employees and lenders to avoid bankruptcy; explicit reference to the need to cooperate with union leaders	Emphasis on greater cooperation with employees to ensure sustaining profitability; continued frequent reference to the need to negotiate cost savings with suppliers and employees

(Table 7.9 continued)

		Pre-accident		Post-accident	
		Y_{-2}	Y_{-1}	Y_1	
Ethics Opportunism		Explicit reference to the dependence on employee satisfaction to create more value for shareholders	Continuing reference to the dependence on employee satisfaction to increase shareholder value	Continuing reference to the dependence on employee satisfaction to increase shareholder value	
					[no reference] [no reference]
Other evidence		Reference to another accident, which claimed 10 passengers and 1 crew members lives; general assurances for commitment on safety	Acknowledgement of reducing the AR CSD to alternatively provide it on CD-ROM and on the internet	Detailed accounts of its H&S programmes in place, a number of which were developed in 2001; detailed accounts of the Code of Conduct and on policies on equal opportunity, discrimination, harassment and workplace violence; detailed accounts on diversity management and sustainability and conservation policies; very detailed accounts of corporate sponsorships; detailed description of its environmental awards; patriotic references to its American origin	
					[no reference] [no reference]

Despite all that's happened, the six tenets of our Airline Leadership Plan – Safety, Service, Product, Network, Technology and Culture – remain our blueprint for industry leadership... That's the goal we are determined to achieve. Underlying that goal is the need to establish and sustain strong relationships. Indeed, we could not have emerged from 2001 intact were it not for the support of the government, the communities we serve, our suppliers, our airline partners, the financial community and, most of all, the people of American Airlines and American Eagle (2001AR, pp. 3-4).

More frequently, however, the company emphasised the importance to them of considering the interests of employees in every decision, in order to maintain employee satisfaction and, subsequently, quality of service and profitability:

Technology is obviously an area of our business that has changed dramatically in recent years. But one part of our management challenge that hasn't changed is the imperative to consider the interests of our employees in every decision we make (2000AR, p.2).

As AA argued, maintaining employee satisfaction directly benefits operations and profitability:

The increase in revenues was due primarily to a strong US economy... a favorable pricing climate... [and] a labor disruption at one of the Company's competitors which positively impacted the Company's revenues by approximately \$80 to \$100 million (2001AR, p.6).

Indeed, in a pragmatic attempt to reduce costs and avoid the possibility of bankruptcy in the years subsequent to 2001, AA made frequent references to the need to negotiate cost savings with employees and lenders and to the need to cooperate with union leaders. This is how the need for pay cuts was justified:

Because of, among other things, the continuing adverse economic climate, increased competition... the continuing threat of terrorist actions and the war in Iraq, the airline industry, including American, continues to be in severe distress. This has already caused... major carriers... to file for protection under Chapter 11 of the Bankruptcy Code. Through the Chapter 11 process... [they] reached permanent agreements with their unions changing the rates of pay, benefits, and work rules applicable to their unionized employees... Those changes give those carriers a significant cost advantage, as compared to American and other competitors. All of these factors make it crucial that American dramatically and quickly reduce its annual costs to remain

competitive... at least an additional \$2 billion in cost reductions must occur and most of that must come from long-term labor cost reductions (2002AR, p.11).

However, as AA further admitted, it was additionally interested in achieving employee satisfaction to create more value for its shareholders:

Underlying every initiative is the philosophy that motivated and engaged employees deliver the quality of service and personal attention that creates satisfied customers whose repeat business naturally rewards shareholders. As we have worked to create value for...shareholders and to improve the customer experience, we have spent a lot of time, energy and resources in 1999 to foster a people culture marked by trust, respect and appreciation for the 100,000 employees behind every American and American Eagle success (1999AR, p.15).

Following September 11th, the company made some patriotic references to perhaps be granted more support by its constituents:

Many would say it's no coincidence that the word American ends in "I can." For the cover of this year's annual report, we felt it particularly appropriate to highlight those four letters that are also found in the name of our airline. We think they speak strongly to the indomitable spirit that has made our country great and to the spirit that helped pull our airline through an incredibly challenging year (2001AR, p.ii).

In addition, following the extra security measures introduced in the airports, AA pragmatically focuses on reassuring customers that it can provide them with safe but also convenient travel:

We are equally resolved to making travel on American Airlines as safe and secure as it can possibly be, while at the same time doing all we can with tools such as airport automation and premium queues at security checkpoints to help our customers get through the airport more quickly. We firmly believe that air travel can be both safe and convenient, and we are working actively with the Air Transport Association and the Transportation Security Administration to achieve that goal. Nothing we do is more important than ensuring the safety of air travel for our customers and our employees (2001AR, p.4).

With regard to the environment, particularly in the relevant 2001 environmental report, AA made frequent references to its commitment to sustainability, as the following extracts of the reports illustrate:

By publishing available information for open review by interested parties, the Company is demonstrating its belief in the importance of open disclosure and dialogue regarding environmental issues. As an endorser of the CERES Principles, the Company confirms publicly... *that corporations must not compromise the ability of future generations to sustain themselves* (AA, 2001ER, p.4, emphasis in original),

It is the responsibility of Corporate Environmental to support the continuous improvement of the Company's environmental performance. In a spirit of teamwork, Corporate Environmental will:

- ❖ *Provide leadership and expertise in a consistent manner that protects the environment and conserves Company resources.*
- ❖ *Enhance our business operations to meet applicable environmental regulations.*
- ❖ *Encourage environmental stewardship and remain a valued member of the community by actively supporting pollution prevention, educational programs, and public awareness.*
- ❖ *Measure and evaluate the Company's environmental performance.*



(AA, loc. cit.)

It took, however, the view of sustainability as also regarding maintaining profitability:

We know that the decisions we make have daily impacts on the vitality of our Company, and, subsequently, the global environment. Although this report provides an overview of accomplishments to date, we face the challenges to addressing local and global issues while we work to return to sustained profitability ... Just as environmental concerns continue to evolve, so do... [our] efforts to support a sustainable future (AA, 2001ER, p.1).

7.4.5 Conclusion

Table 7.10 and 7.11 summarise the findings of the case in respect of the propositions and the research questions, respectively. Both the quantitative and qualitative

evidence suggest that AA adopted a strategic and image-focused stance with regard to its CSRes and CSR, which focused on pragmatically satisfying its critical stakeholders.

As Table 7.10 illustrates, the levels of CSD, and particularly H&S, disclosures increased considerably in Y_1 . Evidently, this was also the case for its positive and negative and the symbolic and substantive CSD. The findings, therefore, lend some support to all propositions. In the subsequent year almost all types of disclosure decreased and in most cases returned to the pre accident levels, further indicating that the Y_1 increase was not a sustained attempt at increased CSR, but a probable attempt to address the threat.

Table 7.10 Summary of the quantitative findings for AA: year-to-year change

CSD	<i>Pre-incident</i>	<i>Post-incident</i>		
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
TOTAL	(36%)	320%	(60%)	5%
H&S	(21%)	557%	(75%)	(27%)
POSITIVE	(48%)	636%	(94%)	16%
NEGATIVE	(75%)	1,088%	1%	(18%)
H&S POSITIVE	68%	526%	(98%)	16%
H&S NEGATIVE	(100%)	∞	(63%)	(100%)
SUBSTANTIVE	(41%)	282%	(50%)	8%
SYMBOLIC	(24%)	399%	(88%)	(14%)
H&S SUBSTANTIVE	3%	391%	(71%)	(29%)
H&S SYMBOLIC	(100%)	∞	(84%)	(17%)

It could be suggested that the findings from the quantitative CA signify an image-focused and externally driven organisation. This is particularly so since the disclosure increased considerably in Y_1 but returned to the pre-incident levels in the last two years. Therefore, it appears that AA is adopting a pragmatic stance, whereby CSR was employed in an attempt to defend and restore legitimacy. The qualitative evidence further indicates that AA's CSR was primarily an externally driven activity (i.e. by demand from critical stakeholders), although there is some supportive

evidence that it could also be internally driven (as an opportunity to improve image and profitability through increased stakeholder satisfaction).

The study's findings, therefore, indicate that AA's CSR employment was a pragmatic attempt to maintain a positive image, address critical stakeholders' needs and potentially improve profitability.

Table 7.11 AA and the Research questions

What is the underlying CSRes position?	AA's approach focused on pragmatically satisfying critical stakeholders needs, although AA also appeared at times to be opportunistically driven
Is CSR strategic or ethical?	Some quantitative support that AA took a strategic stance. Predominantly image-focused qualitative evidence provides additional support.
Is CSR reactive or Proactive?	Supportive quantitative evidence that AA reacted to the incidents by increasing CSR. Qualitative evidence mostly included reactive arguments of a pragmatic nature, although there was also identified some 'proactive' ones of opportunistic nature
Can CSR be explained by social contract?	Some quantitative support. Qualitative evidence further supportive, with frequent references to the importance of meeting the expectations of stakeholders (mostly employees).

7.5 The case of Singapore Airlines (SIA)

7.5.1 Introduction

Singapore Airlines (SIA) is the national airline of Singapore with a strong presence in South Asia, East Asia and the routes to and from Australia. The airline was founded in 1937 and since then has emerged as one of the world's largest airlines: it ranks amongst the top 15 carriers worldwide in terms of revenue passenger kilometres, is the eleventh largest airline in Asia and ranked sixth in the world for international passengers carried (SIA, 2008AR).

Over the years, SIA have build a strong brand name for innovation, service excellence and safety and the accident considered was the Airline's first (and to date only) fatal accident (SIA, 2001AR). Firstly a review of the accident is provided. This is followed by discussions on the quantitative and the qualitative CA, respectively. The concluding section of this chapter summarises its findings.

7.5.2 The accident

Designated as Flight 006, the wide-bodied Boeing 747 SIA jetliner crashed during taking off at the T'ai-pei International Airport in Taiwan on 31st October 2000 at 23.20. The disaster resulted in the death of 83 of the 179 persons aboard the aircraft, including four cabin attendants. Among the survivors, 57 passengers and 13 crew members suffered injuries and 25 other persons escaped unscathed – the latter including two of the three flight crewmen (Gero, 2006).

Authorised to use runway 05-Left, the aircraft inexplicably began its take-off on the adjacent 05-Right, which was partially closed due to work in progress. Slightly more than half a minute after commencing its ground run, at a speed of approximately 150 mph (250kmh), the 747 struck several barriers, some construction equipment, including a bulldozer, and a pile of metal reinforcement bars that were on the runway (Gero, 2006). The aircraft then broke into several large pieces and caught fire. The

accident occurred in darkness and adverse meteorological conditions associated with a typhoon located approximately 200 miles (320 km) to the south (Gero, 2006).

The investigative report by the Taiwanese Aviation Safety Council (ASC) concluded that the pilots, having ignored a number of visible signs, ‘lost situational awareness’ in entering and commencing take-off on the wrong runway, possibly affected by the poor weather and wet runway conditions. With regard to the survival issue, the ASC found that the airline’s emergency evacuation training, though generally meeting the industry standards, did not include methods of dealing with exposure to adverse meteorological elements, fire and smoke. The aircraft’s public address system also failed, and the airline did not seem to have a back-up plan for such a contingency (Gero, 2006).

A Singaporean specialist team, however, claimed that the ASC report had presented an ‘unbalanced account’ of the accident, which minimised the significance of the many systemic factors they considered as contributory, including deficiencies in runway lighting, signage and markings at the airport. They viewed the cause of the disaster as, ‘a failure of the aviation system’, emphasising the airport’s deficiencies rather than the crew’s errors. Although SIA (2001) originally seemed to espouse this team’s views, it eventually had to comply with the ASC’s rules and ended up settling a number of lawsuits. The pilot and a co-pilot of that flight were subsequently dismissed.

The accident posed a considerable threat to the legitimacy of SIA, which at the time “experienced its darkest hour” (SIA, 2001AR, p. 6). Not only did it spoil the company’s prior record of zero fatalities; it also generated a lot of negative publicity over SIA’s ‘catalogue of failings’ (Perrin, 2000). At the centre of the public criticism was the pilot’s inexplicable decision to use the wrong runway and the Company’s decision to proceed with taking off despite the severe weather conditions (Gero, 2006). Survivors of the crash also stated that the members of staff were unable to help the passengers escape from the aircraft due to being frozen by fear and/or due to lack of competence in emergency procedures, with some flight attendants “failing to help passengers open emergency doors, fleeing the plane before all inside had been rescued” (Perrin, 2000). These failings led dozens of survivors and relatives of those

killed to file lawsuits against the airline (SIA, 2001AR); and the accident appeared to have an impact also on SIA's share price, which (after reaching a peak for the financial year in October at \$19.20) started dropping and by the end March had lost almost 30% of its market value, closing at £13.60, despite the increased of turnover (SIA, 2001AR).

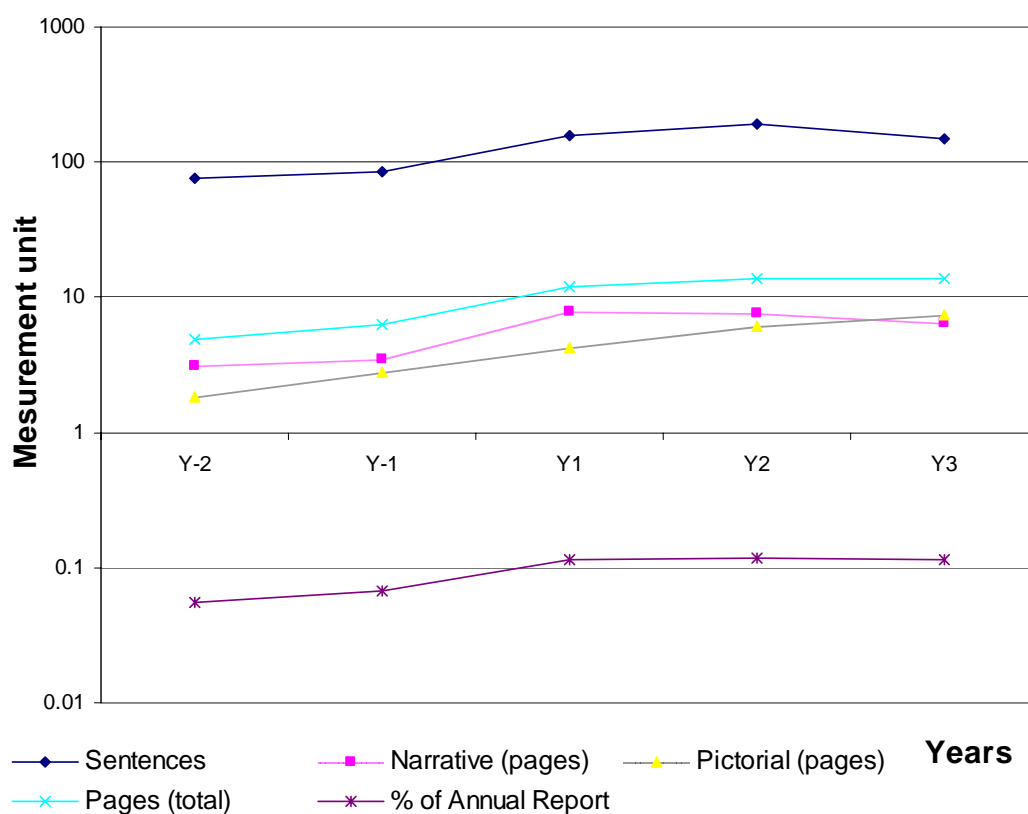
7.5.3 The quantitative CA evidence

Propositions 1 and 2: Following a legitimacy threat, the level of total CSD and particularly the level of H&S CSD will show a notable increase

Despite the disagreements regarding the causes of the accident, it would appear that it had an impact on SIA's CSR, as Figures 7.19 and 7.20 illustrate (see also Tables 1 and 2 in Appendix Jiv). With regard to the total CSD:

- For all measures, the disclosure increased notably in Y₁, lending some support to proposition 1. The increase ranged from 68% (proportion of report as the measurement unit) to 95% (pages).
- For all measures, the disclosure further increased in Y₂, although at a substantially decreased rate, ranging from 4% (proportion of report) to 21% (sentences).
- Throughout the post-accident years the disclosure remained at higher levels than in the pre-accident period.

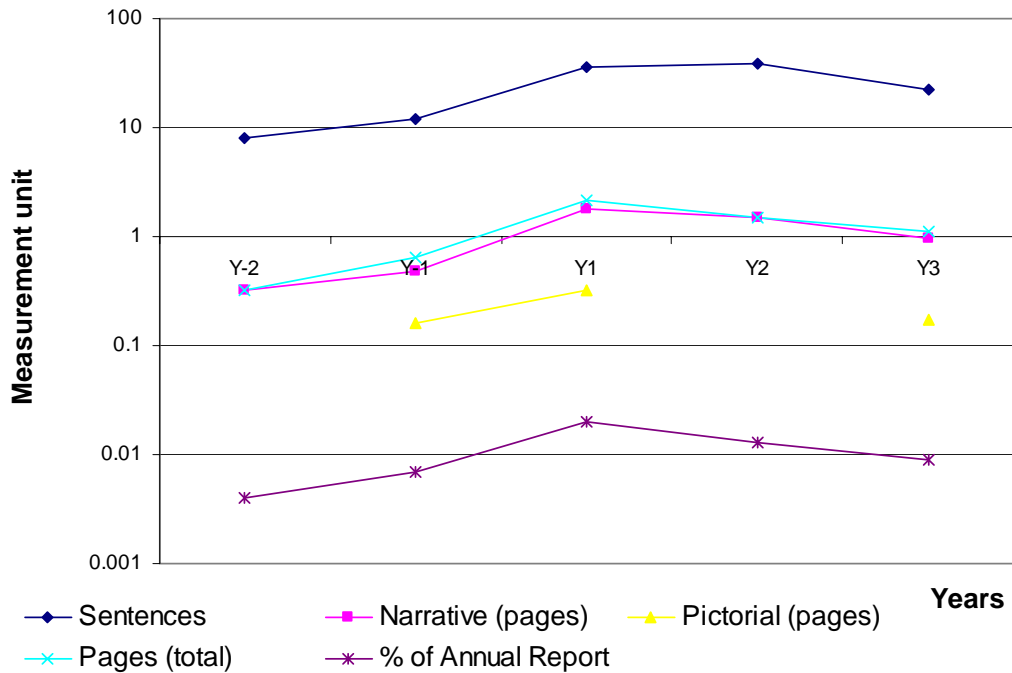
Figure 7.19 Total CSD per measurement unit



It could be argued that the support for proposition 2 appears to be even greater:

- For all measures, the disclosure increased notably in Y_1 . The increase ranged from 186% (proportion of report) to 231% (pages).
- Y_1 represented a peak in H&S disclosure for most measures (with the marginal exception of sentences)
- Throughout the post-accident years the disclosure remained at higher levels than the pre-accident period, although it showed a declining trend in Y_2 and Y_3 .

Figure 7.20 H&S CSD per measurement unit



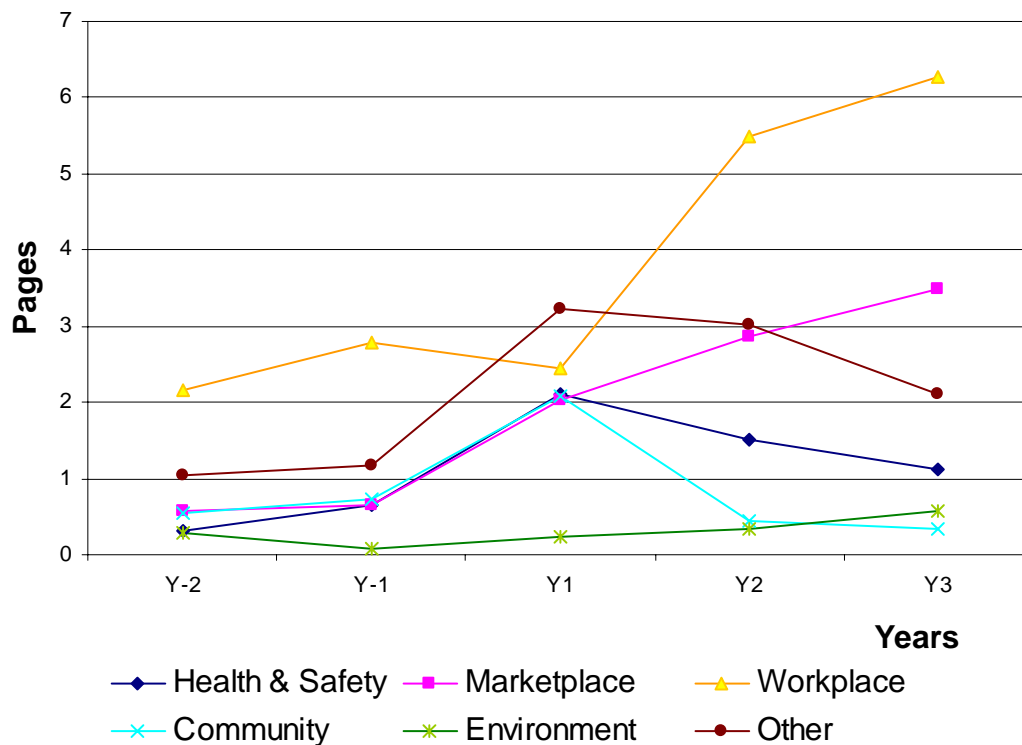
Arguably, the levels of increased total CSD in Y₂ could be perceived as a response to the major legitimacy threat that the whole industry faced following the September 11th terrorist attacks, which “shattered the confidence of the travelling public and plunged the aviation industry into its worst financial crisis” (SIA, 2002AR, p. 6). Considering that total CSD keeps rising in Y₂ and Y₃ (albeit at rates lower than Y₁), it could be argued that the accident may have also triggered an incremental increase in the amount of CSD. This argument is also supported by the fact that SIA started publishing, in Y₃ some environmental stand-alone information which has not been considered due to unavailability. This action may nevertheless also be interpreted as an isomorphic attempt to pick up the trend.

Figure 7.21 (see also Tables 3 and 4 in Appendix Jiv) summarises the findings per theme of disclosure:

- Most disclosure themes increased in Y₁ (with the exception of workplace), with H&S showing the greatest increase (231%) followed by the marketplace (206%)

- In Y₂ and Y₃ some themes increased (marketplace, environment and workplace) and some decreased (H&S, community, other) in both years.
- Workplace remained the most popular disclosure theme for most of the five-year period (with the exception of Y₁, where other disclosures achieved higher levels).

Figure 7.21 Theme of CSD



The prevailing disclosure themes were thus firstly workplace and then marketplace, with environment appearing to be the most ‘neglected’ area of the AR’s disclosure. It should be noted, though, that SIA generally did seem to disclose larger quantities of information that could be considered of interest to its customers rather than its employees, such as information about food, seating, on-line booking systems and on-board entertainment; however, most of this information was not perceived to be and recorded as CSR, in line with the adopted inclusion and exclusion criteria.

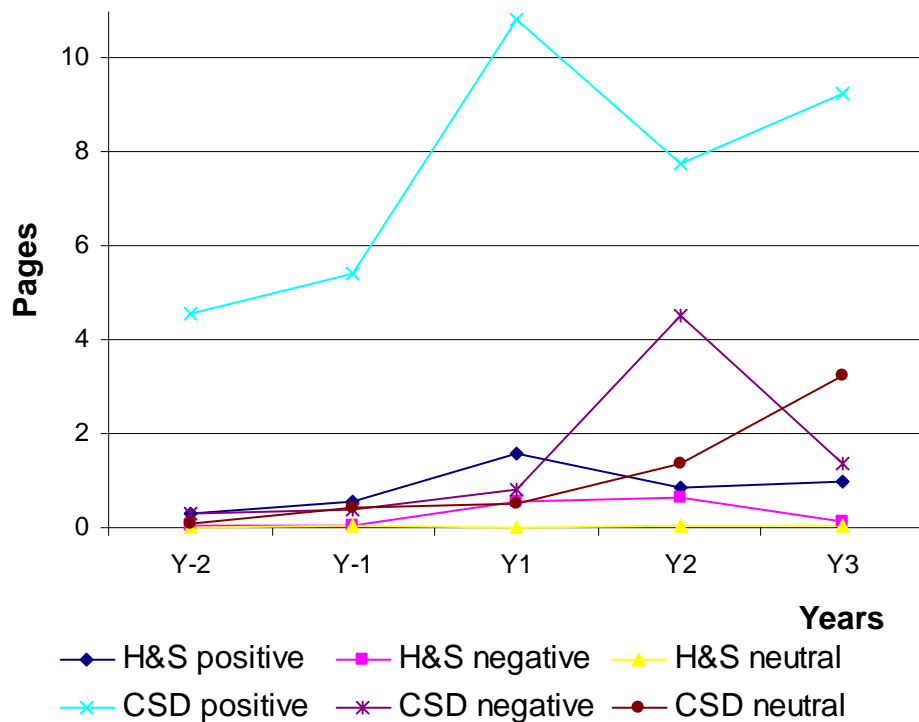
As Figure 7.21 further illustrates, in Y₁ most disclosure themes (with the exception of environment) were interestingly largely equally represented, with their proportions

to total CSD to vary from 17% (community, marketplace and H&S) to 27% (other CSD). This could be interpreted as a possible pragmatic organisational attempt to satisfy all potentially-affected constituents following the legitimacy threat.

Propositions 3 and 4: Following a legitimacy threat, the level of positive CSD and the level of negative CSD will show a notable increase

Figure 7.22 (see also Table 5 in Appendix Jiv) summarises the findings in terms of positive vs. negative CSD for both total and H&S disclosures.

Figure 7.22 Positive vs negative CSD



Both positive and negative disclosures largely followed the same pattern as total disclosure and strongly increased in Y₁, thereby lending some support to the supportive-of-LT propositions 3 and 4. Positive and negative H&S disclosures increased by 193% and 800% respectively in Y₁, whereas total positive and negative

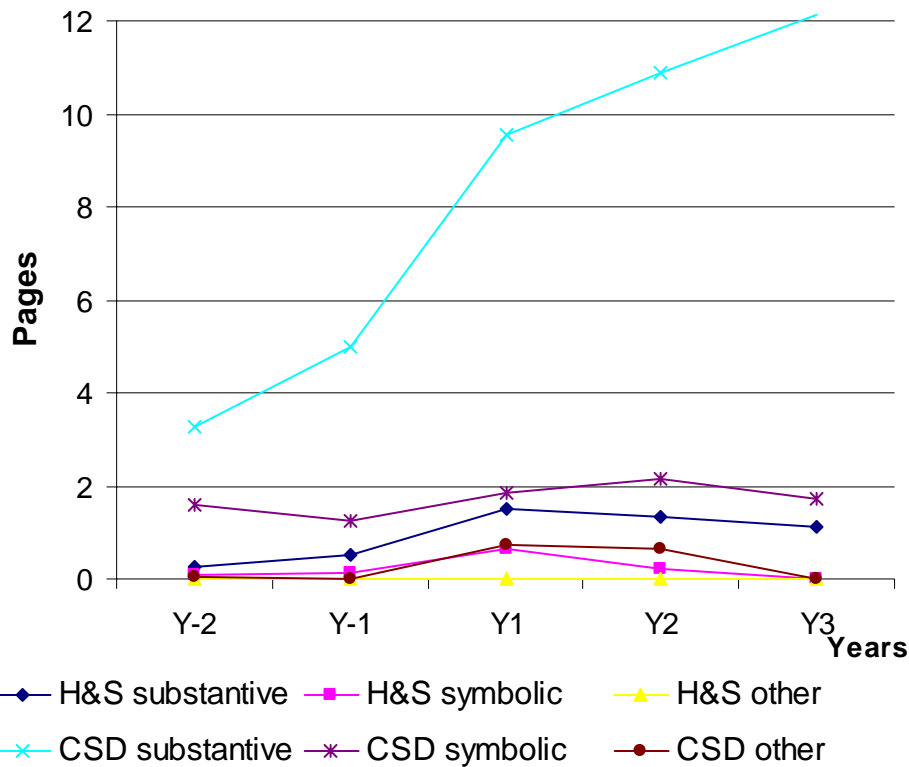
CSD increased by 101% and 114%, respectively. Positive disclosures then decreased, whereas negative ones further increased, in the following year.

During the two years prior to the accident the main issue of concern for SIA appeared to be the recovery from the Asian Economic crisis, which had, however, been “faster than expected” (SIA, 2001AR, p. 7). The main negative event, therefore, affecting its reporting in Y_1 was the fatal accident, which resulted in both human and financial losses. The decrease in positive, and increase in negative, CSD in Y_2 was most likely because this appeared to be, “the most difficult year in SIA’s history” (SIA, 2002AR, p. 5), following the September 11th attacks. These accounted for the presence of a number of negative CSR disclosures, such as the level of cancelled orders, pay cuts, and decreases in staff strength and in value added to be reported. Although Y_3 was still not perceived by SIA to be a good year (due to the Iraq war and SARS), the company increased its positive (by including value added statements and showing marginal increases in staff) and decreased its negative (this primarily concerned pay cuts and less routes/destinations) CSD.

Propositions 5 and 6: Following a legitimacy threat, the level of substantive CSD and the level of symbolic CSD will show a notable increase

Figure 7.23 (see also Table 6 in Appendix Jv) summarises the findings in terms of the substantive vs. symbolic CSD for both total and H&S disclosures. The findings appear to be supportive for propositions 5 and 6 since in Y_1 both levels of substantive and symbolic CSD increased. Substantive and symbolic H&S disclosures increased by 187% and 425% respectively, whereas total substantive and symbolic CSD increased by 92% and 49%, respectively.

Figure 7.23 Substantive vs symbolic CSD



As Figure 7.23 reveals, SIA increased its substantive CSD throughout the five year period (although it did so at a greater rate in Y₁). Considering that, as discussed earlier, in Y₃ SIA also started publishing some stand-alone environmental information, these findings could potentially be perceived as an on-going, ethically-motivated engagement with CSR, resulting in the latter increasing in both levels and substance.

It is important, however, to emphasise that SIA increased its symbolic rather than its substantive H&S CSD to a particularly greater extent in Y₁. It mainly did so, by considerably expanding the section devoted to fleet renewal in a largely symbolic manner, for example, by often repeating information concerning its orders, and describing these in a much greater than in the past detail. Similarly, a large part of its total substantive CSD increase was due to development of a dedicated one-and-a-half page award section in the report following the accident, listing all its accolades, whilst in the reports preceding the accident, SIA described these in just one sixth of a

page. It could be argued that these practices lend support to Savage *et al's*. (2000, p. 48) arguments for such symbolic approaches being, “more economical and flexible than substantive actions” and indicate an organisation which seemed more interested in *being seen as* acting legitimately as opposed to actually *being legitimate*. Whether this engagement was pragmatically or opportunistically motivated remained uncertain, given the general upward trend of the disclosure in the post-accident period.

7.5.4 The qualitative CA evidence

Table 7.12 summarises the findings from the ‘pattern matching’ activity. The majority of the evidence would support SIA’s position towards CSR as being one of ethics pragmatism. SIA seemed to generally perceive its AR as a means to communicate with its constituents, and it seemed to change the focus of its reporting according to its needs as perceived at the time - as ethics pragmatists would be expected to do. Preceding the air crash, SIA’s focus was on reassuring the investors it had recovered from the Asian Economic crisis. Consequently, its main CSR disclosure regarded acknowledging the contribution of its employees to this recovery, such as:

SIA’s workforce also responded positively to help protect the airline from the effects of the crisis. Staff were active in minimising costs and improving efficiency and productivity during the year. In addition, many staff members also decided to forgo their annual wage increments in a marvellous display of loyalty. Such actions helped ease the pressures and allowed SIA to stay focused on its objective of delivering the best service to customers (SIA, 1999AR, p. 5)

The key to such recognition has been the skill and commitment of SIA employees. This has been the cornerstone of the Group’s impressive performance (SIA, 2000AR, p. 12).

Table 7.12 Summary of the ‘pattern matching’ activity for SIA

	Pre-accident			Post-accident	
	Y ₋₂	Y ₋₁		Y ₂	Y ₃
Stakeholder capitalism	Reference to commitment on community and local arts	Reference to commitment on community and local arts	Reference to being a good corporate citizen and giving back to communities	Continued reference to being a good corporate citizen and giving back to communities	Continued reference to being a good corporate citizen and giving back to communities
Ethics pragmatism	Explicit reference to the need for minimising staff costs to improve efficiency and deliver best service to customers	Continued reference to the need for minimising staff costs to improve efficiency and deliver best service to customers	Detailed reference to fleet renewal programmes, with particular emphasis on safety; attempts to downgrade its role in the accident; reference to the potential negative impacts that the accident may have on image; detailed descriptions of its awards	Continued reference to the contribution of minimising staff costs to ensure viability; detailed references to attempts to ensure safety of flights.	Great emphasis on the need for minimising staff costs by introducing permanent pay cuts to ensure viability
Ethics Opportunism	[no reference]	[no reference]	[no reference]	[no reference]	[no reference]
Other evidence	Emphasis on the workforce being the cornerstone of the company’s performance	Continued emphasis on the contribution of workforce to performance	Continued emphasis on the contribution of workforce to performance	Continued emphasis on the contribution of workforce to performance	Continued emphasis on the contribution of workforce and (for the first time) the unions to performance

Following the accident, however, SIA seemed to become particularly concerned with minimising the potential negative impacts of this legitimacy threat, primarily to its customers. As a result, it started expanding its sections in its report devoted to the description of awards and general customer services, but also simultaneously started particularly emphasising its fleet renewal programs. The 2001 Chairman's Statement for the first time devoted a large section to discussing this last aspect and the following extract was in large typeface:

SIA's fleet renewal programme is one of its hallmarks... but even by SIA's standards, it was a remarkable year for aircraft orders (SIA, 2001AR, p. 6).

The way that the news of the accident was presented subsequently in the Chairman's Statement also illustrates how particularly concerned SIA was to offset the potential negative impacts of the accident to its reputation (as opposed to admitting, to some extent, responsibility for it, as stakeholder capitalists would be expected to do):

In October, SIA scaled new heights and experienced its darkest hour in the matter of a few weeks. For the first time, it was ranked as the world's most admired airline in *Fortune* magazine's prestigious annual survey. This was followed by an almost clean sweep of the *Business Traveller* Asia-Pacific 2000 Annual Travel Awards, including 'Best International Airline'. But in the very last hour of October, according to Singapore time, the Airline's proud accident-free record came to an end on a closed runway in Taipei. SIA received praise and much goodwill for its handling of the crisis, and it has pledged to recover and emerge an even better and stronger airline, but memories of this horrific accident, and those who passed away, will always remain with us (SIA, 2001AR, p. 6).

In the next year, following the September 11th attacks which affected the whole industry, focus turned back to reassuring investors that the new crisis was competently being managed, but at the same time SIA was assuring its customers that all safety and customer service standards were still in place, potentially considering that its image was still fragile, due to the previous year's accident:

The year ending 31 March 2002 will be remembered as the most difficult in the 30-year history of Singapore Airlines. It was a year when staff rose to the challenge of weathering the tough economic and security conditions and positioning the Airline to prosper during the recovery... All divisions and subsidiaries were directed to review their budget plans. Non-essential projects were deferred or cancelled. Only those that were critical to

maintaining service and safety standards, or were key platforms for future growth, were allowed to proceed” (SIA, 2002AR, p. 13)

What can be said is that SIA is doing as much as any major airline to ensure the safety of its passengers and crew (SIA, 2002AR, p. 19).

In Y₃ SIA seemed to particularly aim to convince its (potentially resistant) employees to permanent pay-cuts and it used its AR to demonstrate that need. In the Chairman’s statement, for the first time, the unions were mentioned and a detailed discussion was provided on how American and European airlines were also employing permanent pay-cuts to ensure survival. The sole message in large typeface in the statement reads:

It is, therefore, important for SIA management, staff and unions to embrace the realities of the new world, to change our mindsets, and to move forward and do the right things. Together I am confident we will overcome these adversities and emerge stronger (2003AR, p.6).

Nevertheless, perhaps the clearest sign of the pragmatic approach that SIA adopted with regards to its CSR was that, although for some of its activities it attempted to show as acting as stakeholder capitalists:

As one of the world's most successful international airlines, SIA has a special duty to be a responsible corporate citizen and give back to the communities where it operates (SIA, 2001AR, p.28),

it seemed to accept that, with regard to the environment, it was externally driven:

With these accomplishments, the air transport industry also accepts that its impact on the environment is a concern to air transport users and local communities, especially the people who live near airports (SIA, 2003AR, p. 1).

7.5.5 Conclusion

Tables 7.13 and 7.14 summarise the findings of the case in respect of the propositions and the research questions, respectively. Both the quantitative and

qualitative evidence suggest that SIA adopted a strategic and image-focused stance with regard to its CSRes and CSR.

Table 7.13 Summary of the quantitative findings: year-to-year change

CSD	<i>Pre-accident</i>	<i>Post-accident</i>		
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
TOTAL	26%	95%	13%	2%
H&S	100%	231%	(28%)	(26%)
POSITIVE	19%	101%	(28%)	19%
NEGATIVE	32%	114%	473%	(70%)
H&S POSITIVE	93%	193%	(47%)	15%
H&S NEGATIVE	50%	800%	19%	(81%)
SUBSTANTIVE	51%	92%	14%	11.5%
SYMBOLIC	(22%)	49%	15%	(18%)
H&S SUBSTANTIVE	117%	187%	(11%)	(14%)
H&S SYMBOLIC	50%	425%	(68%)	(100%)

As Table 7.13 illustrates, the quantitative CA evidence lends some support to all propositions. The levels of total and H&S CSD in SIA's ARs increased considerably in the year following the accident. This was also the case for its positive and negative and its symbolic and substantive CSD. Although the sustained increase in total disclosure in the post accident period could also be perceived as being ethics-motivated, the discussion on the substantive vs. symbolic evidence, in particular, indicated that SIA's LT stance was a rather image-focused position. The qualitative evidence also indicates that SIA was primarily externally motivated, perceiving the AR as a means to communicate with its constituents, and it seemed to change the focus of its reporting according to its perceived needs at the time.

The study's findings, therefore, indicate that SIA's CSR employment was a pragmatic attempt to maintain a positive image and address critical stakeholders' needs.

Table 7.14 SIA and the Research questions

What is the underlying CSRes position?	Quantitative evidence suggested a probable image-focus stance whilst the qualitative evidence suggested that SIA's underlying CSRes position was 'ethics pragmatism'
Is CSR strategic or ethical?	Some quantitative support that SIA took a strategic stance. Predominantly image-focused qualitative evidence provided additional support.
Is CSR reactive or proactive?	Supportive quantitative evidence that SIA reacted to the accident; quantitative findings could also support proactive arguments. The qualitative evidence primarily included reactive arguments of a 'pragmatic' nature.
Can CSR be explained by social contract?	Some quantitative support. Qualitative evidence further supportive, with reference to the importance of meeting the expectations of stakeholders (mostly employees).

7.6 The case of Scandinavian Airlines (SAS)

7.6.1 Introduction

SAS was founded on 1 August 1946, when the national air carriers of Denmark, Sweden and Norway formed a partnership. SAS gradually acquired control of the domestic markets in all three countries by acquiring full or partial control of several local airlines. SAS has been one of the founding members of the global Star Alliance. Between 1999 and 2003 the group had averages of 32,467 employees and 29,025,800 passengers flown and was Europe's fifth largest airline group.

The investigated accident incurred in 2001 in Milan, Italy and, up to recently⁴⁷, it involved the highest number of SAS passenger fatalities. The next section introduces the accident; the following one the quantitative evidence and the penultimate the qualitative. The concluding section summarises the case's findings.

7.6.2 The accident

On 8th October 2001 SAS flight SK686, an MD-87 plane carrying 110 people and heading to Copenhagen, Denmark, collided with a Cessna at Milan's Linate airport. The plane had just received clearance for take-off from the air traffic control tower when a German-registered Cessna Citation taxied towards the runway. The SAS MD-87 collided with the Cessna and slid sideways into an airport building. A total of 118 people died, comprising all 110 people (104 passengers and 6 staff) on board the SAS flight. Four people died in the Cessna, and four people who worked in the airport building also lost their lives (SAS, 2001AR).

To a world still reeling from September 11th, the fiery collision of the two planes at Milan's airport looked at first like a terrorist attack, particularly since it occurred the day after the US invasion of Afghanistan. This possibility was, however, ruled out by the investigations that followed (Gero, 2006). Linate Airport was operating without a

⁴⁷ One of SAS' subsidiary airlines, Spanair, was involved in an accident on 20th August 2008, in Madrid's Barajas airport, with only 18 of the 172 people on board surviving.

functioning ground radar system at the time and the guidance signs along the taxiways were later found to not meet the appropriate regulations. Consequently, after mistakenly turning onto the R6 taxiway that led to the runway, there were no signs by which the Cessna pilots could recognize where they were. On 16th April 2004, the airport's director, air-traffic controller, former head of the air traffic controllers' agency and former head of the airport, were all found guilty for the disaster by an Italian Court and were sentenced to spend between 6-8 years in prison.

The airline was exonerated of any responsibility: the SAS crew was, in fact, commended for showing professional performance in its efforts to maintain control of the damaged plane after the collision, and in preventing a greater disaster by avoiding the main airport building and a nearby parked aircraft (Gero, 2006). However, considering that this was Italy's worst aviation disaster (surpassing a 1972 accident in which 115 people died when an Alitalia DC-8 crashed into a mountain near Palermo, Sicily); and the fact that this was the company's first fatal accident, it attracted a lot of publicity and posed a considerable threat to the legitimacy of SAS. This was also reflected in the approximately 10% decrease of the Company's share price (on top of the approximately 35% decrease following the September 11th attacks) in the first week after the accident, at a time where the industry's average share performance had started recovering following the terrorist attacks' initial shock (SAS, 2001AR).

It appears that the potential detrimental effect to the Company's reputation was, however, quickly realised. Indeed, SAS's corporate communications department, which had been recently trained and had its responsibilities re-defined, played an instrumental role in successfully defending the Company's reputation (Bailey, 2004). And as the following sections indicate, SAS appears to have considered CSR as contributing in defending the Company's threatened legitimacy.

7.6.3 The quantitative CA evidence

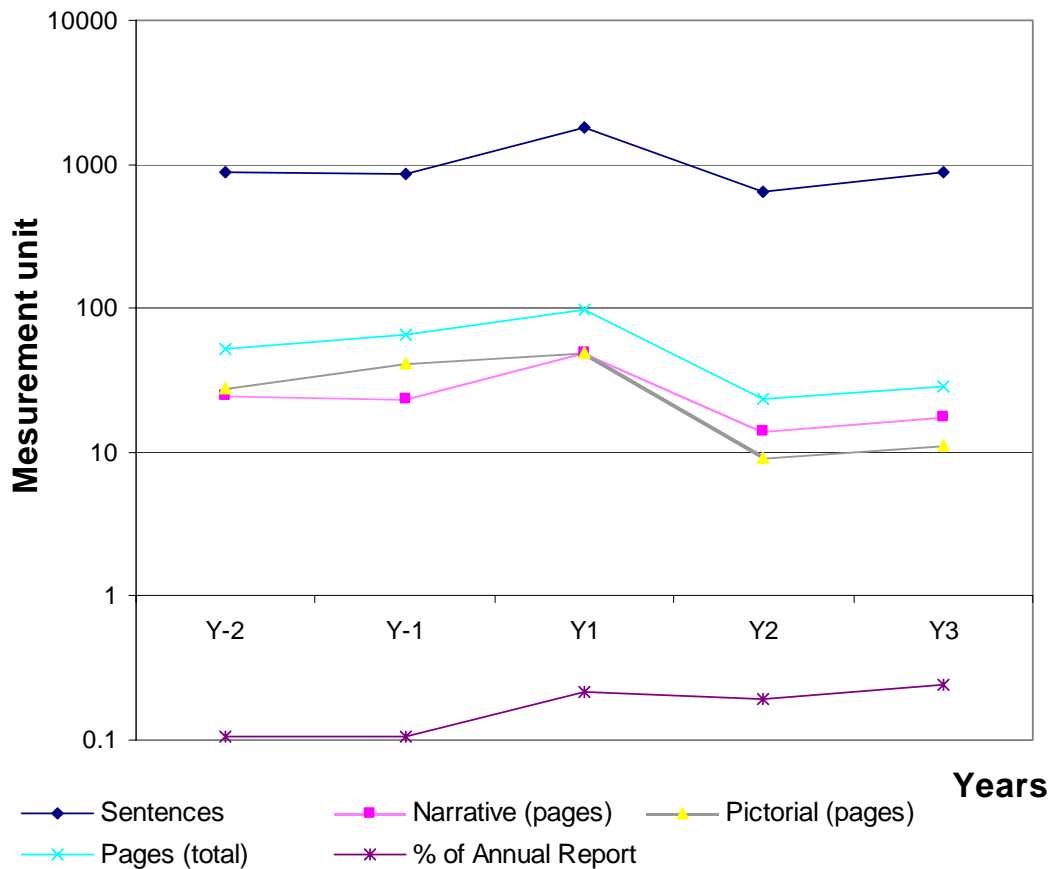
It should be noted that, since the accident only happened a few weeks after the September 11th disaster, these events may have had a compound effect on the level of CSD on the coincident subsequent Annual and stand-alone reports. In addition, in the same year SAS was heftily fined by the European Commission for violating the EU competition rules; and several cases of Legionnaire's disease, including some fatal, incurred in one of its Radisson SAS Hotels. These events may have posed additional legitimacy threats to SAS.

Propositions 1 and 2: Following a legitimacy threat, the level of total CSD and particularly the level of H&S CSD will show a notable increase

Given the fact that SAS had a number of potential legitimacy threats in the year, it was hardly surprising to identify a considerable increase in disclosure in Y₁, for both total and H&S disclosure, thus lending some support to both propositions 1 and 2. As Figure 7.24 (see also Table 1 in Appendix Jv) illustrates for total CSD:

- Y₁ represented a peak in total disclosure over the five-year period for most measurement units (with the marginal exception of % of AR)
- For all measures, the disclosure decreased in Y₂, and in Y₃ either returned to Y₋₂ levels (sentences) or remained at higher (% of AR) or lower (pages) levels.

Figure 7.24 Total CSD per measurement unit



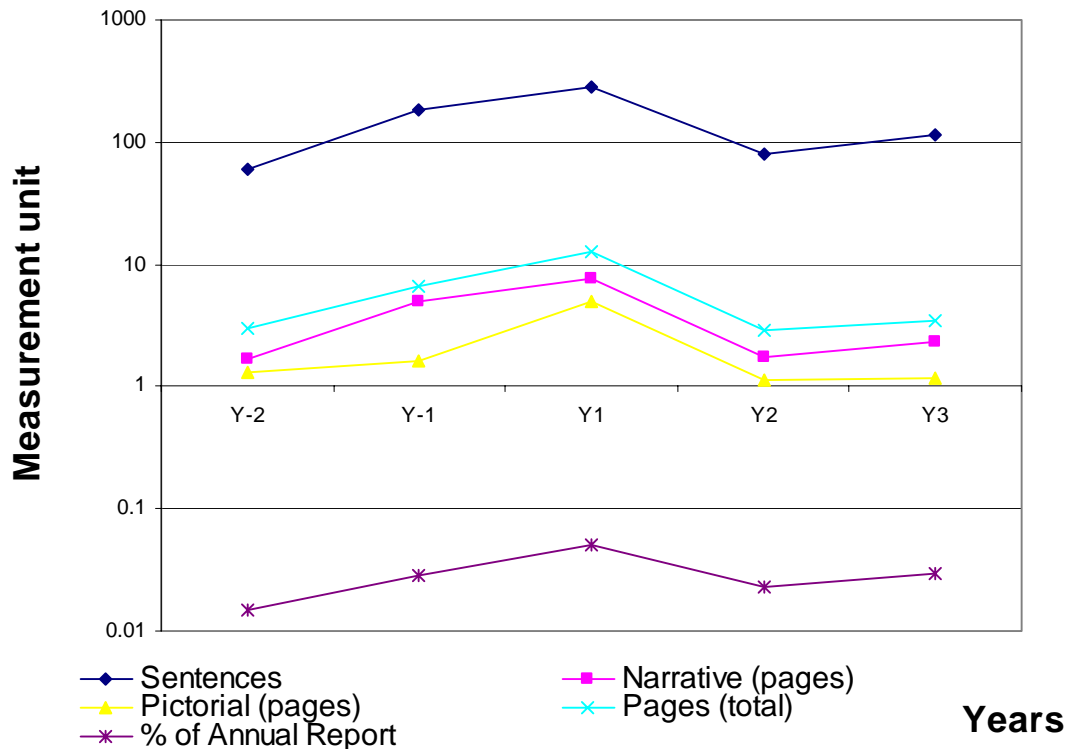
The increase in Y_1 ranged from 52% (pages) to 107% (sentences). The increase appeared even more impressive when considering the large amount of CSD in Y_{-1} , where SAS published Annual, environmental and (for the only time in the examined period) supplementary reports. The dramatic decrease in the Y_2 (76%), mainly due to the business no longer producing stand-alone reports after Y_2 , further gave the impression of the legitimacy threats being a probable underlying cause behind the Y_1 disclosure zenith.

It could be argued that, as Figure 7.25 shows (see also Table 2 in Appendix Jv), the support for proposition 2 was greater than for proposition 1:

- Y_1 represented a peak in H&S disclosure over the five-year period for all measurement units

- For all measures, H&S disclosure decreased in Y_2 and increased in Y_3 , remaining at higher levels than Y_{-2} .

Figure 7.25 H&S CSD per measurement unit

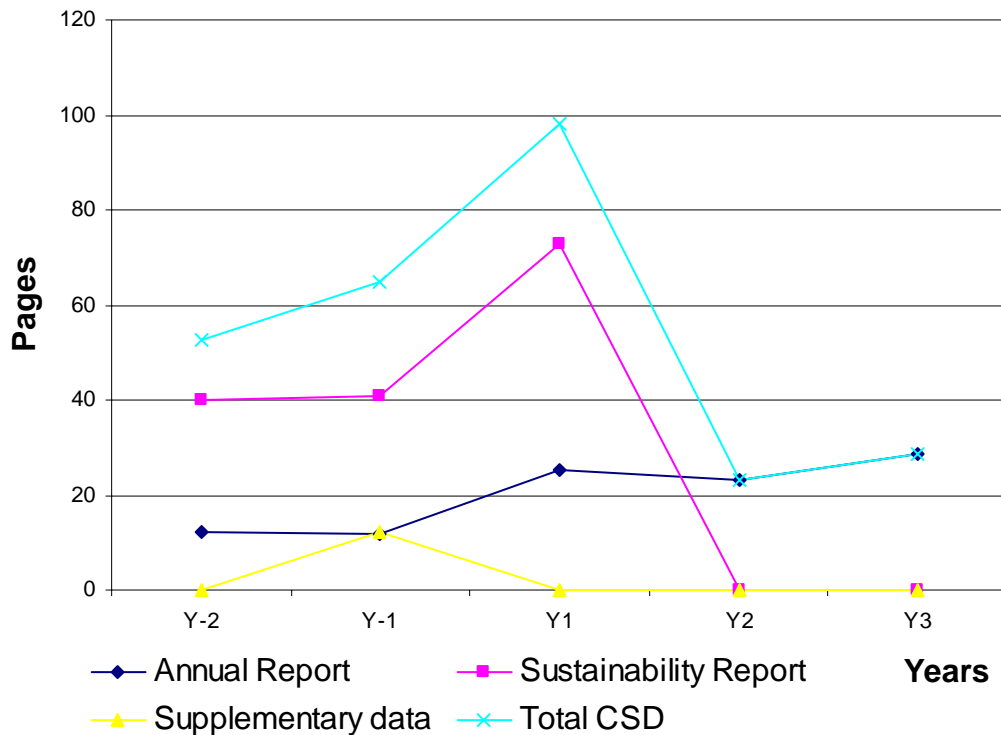


The H&S CSD increase in Y_1 ranged from 51% (sentences) to 91% (pages), whilst the dramatic decrease in Y_2 ranged from 54% (% of AR) to 77% (pages), thereby lending further support to proposition 2. It is interesting to note the striking increase in the level of pictorial H&S CSD in Y_1 (205% as opposed to 53% for the narrative equivalent), which was further reflected in the substantive vs. symbolic H&S CSD, as the later discussion reveals.

Figure 7.26 (see also Tables 3 and 4 in Appendix Jv) presents the findings in terms of type of reporting. Up to Y_1 the main sources of CSD were the stand-alone reports, accounting for 74% to 82% of the total. In Y_2 and Y_3 , however, stand-alone reporting stopped and the main source of CSR was the AR. As SAS (2002AR, p.106) explained,

We have chosen to reduce the costs of external reporting of our environmental performance. For this reason, this year's environmental report is not as comprehensive as the one we produced last year. Much of the information provided in the internet-based environmental report from 2001 is of general nature and remains up-to-date, and this is available on the Group's website

Figure 7.26 Source of CSD



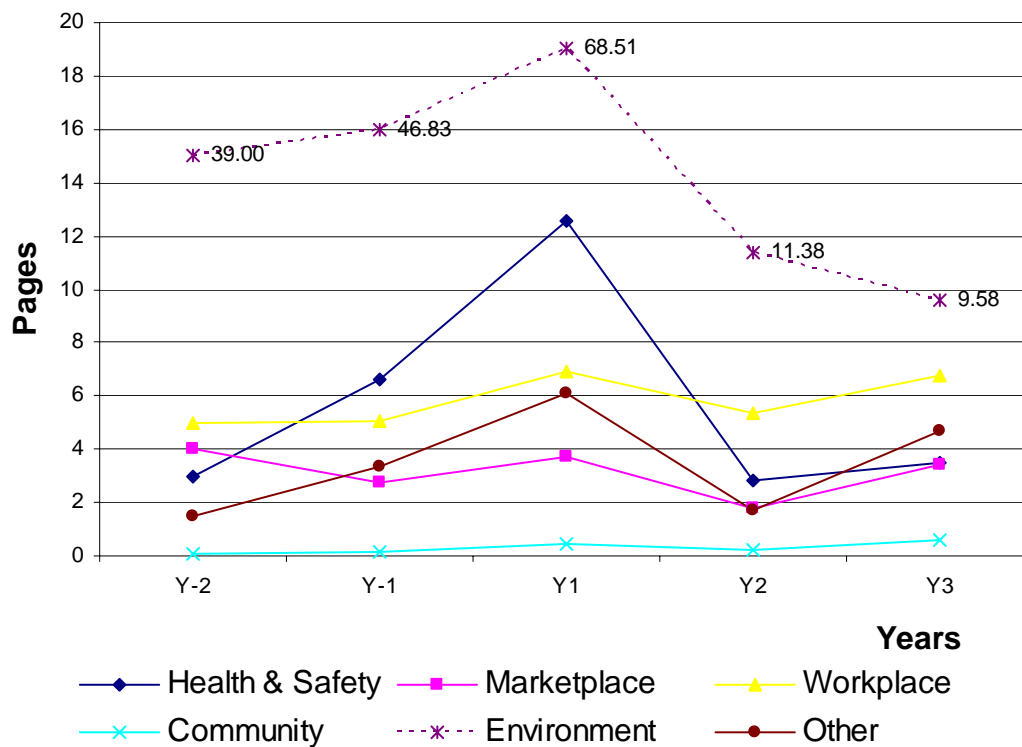
As SAS further noted for one of its subsidiaries, in Y₂ its “main focus was on a reorganization process which meant that environmental work did not have top priority” (SAS, loc. cit.). In addition to thus explicitly admitting that CSR was, for it, a secondary activity, by not immediately reducing its CSR in Y₁ but doing that instead in Y₂, SAS appeared to be image, as opposed to ethics, driven.

Figure 7.27 (see also Tables 5 and 6 in Appendix Jv) summarises the findings per theme of CSD:

- All disclosure themes increased in Y₁, with H&S showing one of the greatest increases (91%), second only to community (175%)

- All disclosure themes decreased in Y₂ and most increased in Y₃ (with the exception of environment)
- Environment remained the most popular disclosure theme throughout the five-year period, with H&S second most popular in Y₁.

Figure 7.27 Theme of CSD



Since SAS produced, in the first three periods examined, environmental as opposed to social/environmental reports, it was natural for environment to be the most frequent theme, accounting for 70% of total CSD in Y₁. Despite community showing the highest increase in Y₁, it remained at considerably low proportionate levels throughout the five-year period; this was particularly surprising, given the Scandinavian roots, and the proclaimed inherited labour, and overall people, focus (SAS, 2001ER, p. 222) of the Company.

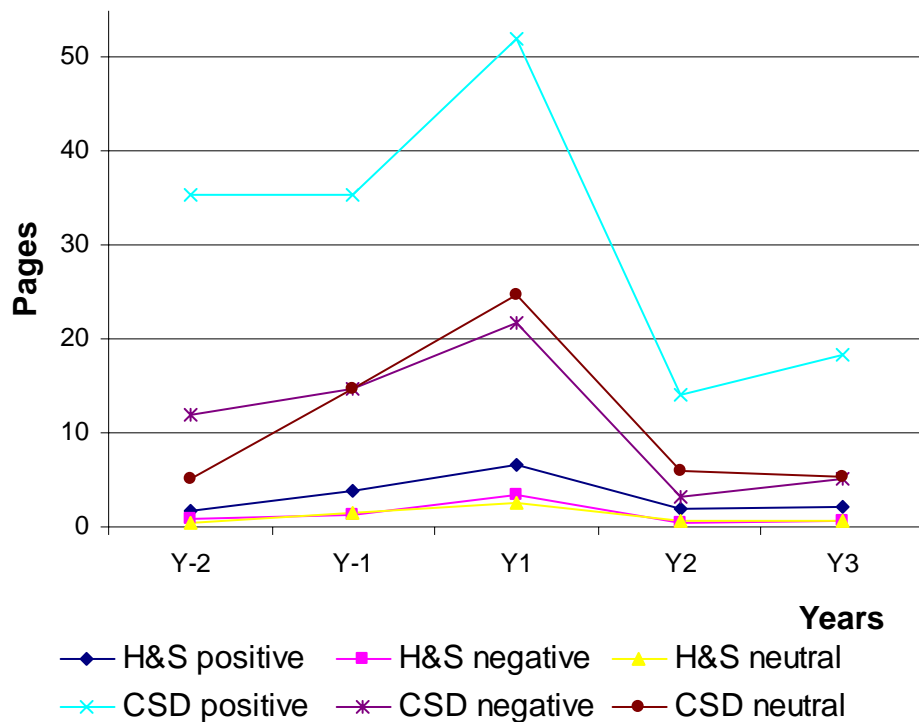
Although the accident and other identified legitimacy threats in that year did not have any significant direct environmental impacts, the relevant disclosure went up in Y₁ by over 46%. In Y₁ SAS, for the first time, expanded its AR title to include the sub-

title: “& Summary of Environmental Report”, albeit in lower case (which it also employed in subsequent years). Although in doing so SAS was allegedly demonstrating the “ambition to intensify our dialogue with important stakeholders such as employees, shareholders, financial analysts, customers, politicians, the general public” (SAS, 2001ER, p.1), the fact that it discontinued the publication of stand-alone reports, and further decreased the environmental disclosure in its (now) sole disclosure medium (i.e. AR), does not appear to justify such a claim. The findings rather lend support to the Gray *et al*’s (1996) argument that environmental CSD is often employed to distract attention from the issues of concern.

Propositions 3 and 4: Following a legitimacy threat, the level of positive CSD and the level of negative CSD will show a notable increase

The findings in terms of positive vs. negative CSD for total and H&S disclosures are summarised next. As Figure 7.28 illustrates (see also Table 7 in Appendix Jv), both positive and negative disclosures increased in Y₁ before considerably dropping in Y₂, thereby lending some support to propositions 3 and 4. Positive and negative H&S disclosures increased at even higher rates than total CSD, although one should be careful when attempting to interpret trends in so small a number of pages: for example, negative H&S CSD rose from 1.22 to 3.37 pages (176%) as opposed to a 68% increase in the positive, following the accident. Interestingly, nevertheless, SAS increased its negative H&S CSD in Y₁ proportionately more than the positive, which could be partly attributed to the poor H&S performance (including the accident) of the period, but could also be perceived, given SAS’ apparent image-oriented CSR stance, as an attempt to diffuse the situation by creating the impression of honesty (Savage *et al*, 2000, p. 50).

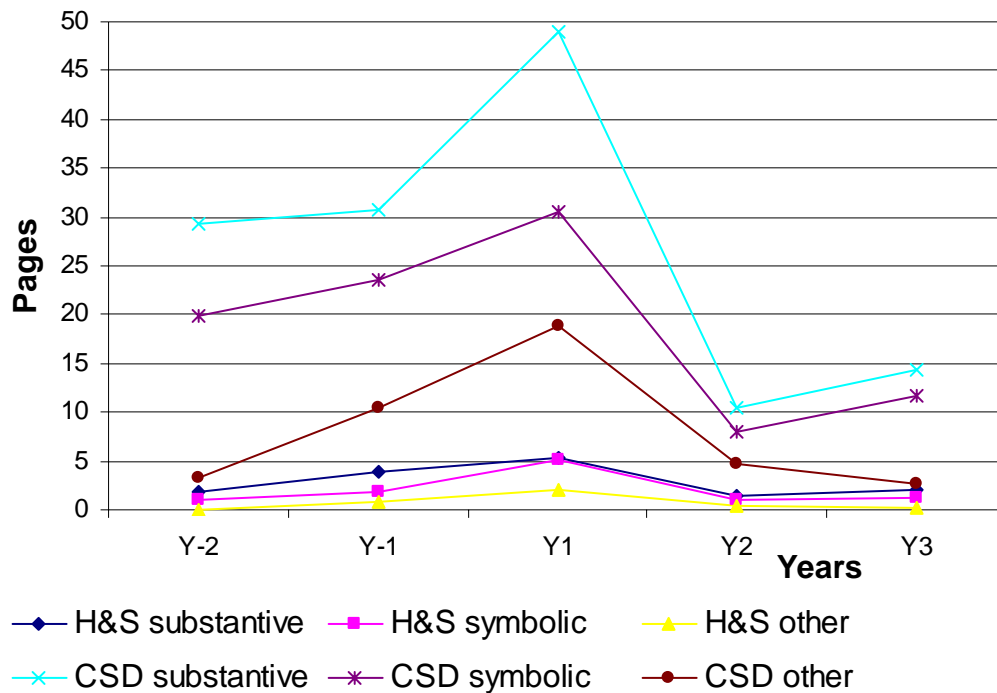
Figure 7.28 Positive vs negative CSD



Propositions 5 and 6: Following a legitimacy threat, the level of substantive CSD and the level of symbolic CSD will show a notable increase

Figure 7.29 (see also Table 8 in Appendix Jv) presents the findings in terms of the substantive vs. symbolic CSD for both total and H&S disclosures. The findings lend **some** support for propositions 5 and 6, since levels of both substantive and symbolic CSD increased in Y₁. Substantive and symbolic H&S disclosures increased by 42% and 171% respectively, whereas total substantive and symbolic CSD increased by 60% and 29%, respectively.

Figure 7.29 Substantive vs symbolic CSD



It is important to emphasise that SAS increased to a particularly greater extent, its symbolic rather than its substantive H&S CSD in Y₁. It mainly did so by introducing pictorial means such as Figure 7.30, which in Y₂'s AR took approximately half a page of space. In the Y₁ AR, however, similar images took the space of two full pages. The symbolic total CSD also increased; this included, among others, general aviation principles, narratives on the contribution of aviation and detailed accounts of the company's environmental procedures, further giving the impression that SAS probably employed such economic and flexible legitimization means to distract attention from the issue of concern and improve its threatened image.

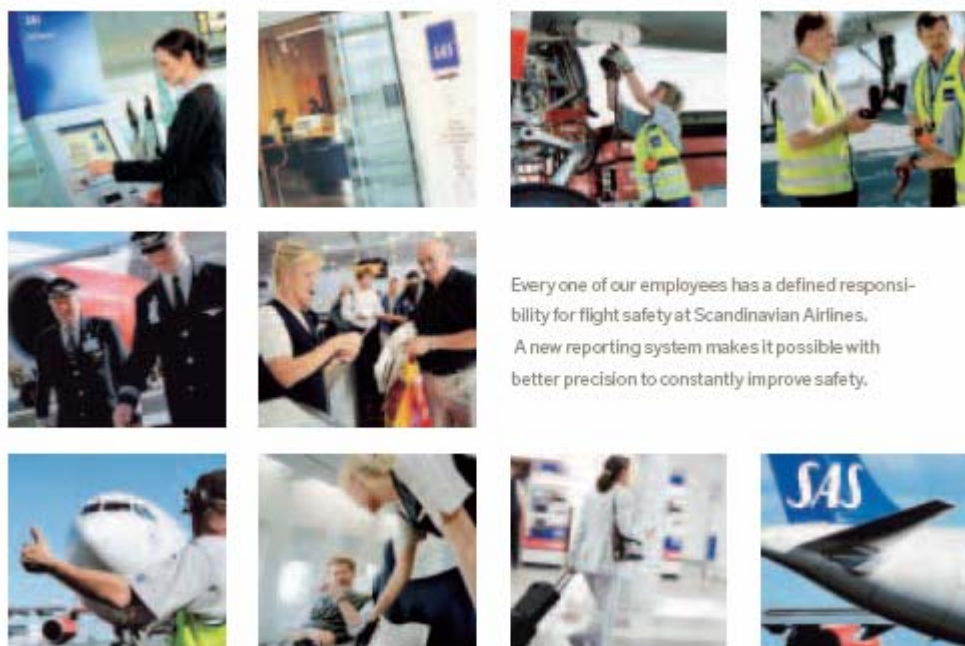


Figure 7.30 Extract from SAS (2002AR, p.45).

7.6.4 The qualitative CA evidence

Table 7.15 summarises the ‘pattern-matching’ activity. SAS had a clear perception of environmental and sustainability work as a means of satisfying external demands and gaining financial benefits, by mainly focusing on cost savings, legislation avoidance and image improvements. For SAS, environmental and overall sustainability work was clearly both an externally driven activity (demand from critical stakeholders) and an internally driven one (opportunity to increase profitability) as Figure 7.31 illustrates:

Table 7.15 Summary of the ‘pattern-matching’ activity for SAS

	Pre-accident			Post-accident	
	Y ₋₂	Y ₋₁		Y ₂	Y ₃
Stakeholder capitalism	Reference to integration of environmental work in all decisions; mention of commitment to environmentally sustainable development of society.	Reference to commitment on considering environmental consequences of every decision	A few mentions of its commitment to considering all environmental aspects of operations	Again, a few mentions of its commitment to considering all environmental aspects of operations	Some references to endorsing sustainability and create a stable social and environmental foundation for all the group’s activities
Ethics pragmatism	Frequent reference to the link of environmental charges to competitiveness; combined environmental and financial advantages; explicit reference on importance of improving environmental image; questioning aviation’s impact on climate change.	Significant emphasis on the links of environmental performance with business risks, partly from negative media coverage; acknowledgment of stringent regulation in the future as a business risk; explicit acknowledgement that CSR is becoming a financial imperative.	Very detailed explanation of how CSR is a growing expectation by various stakeholders, including customers and suppliers, and also an international trend; continuing emphasis on the positive contribution of CSR to image, particularly following Sep 11th; reference to CSR as a means of regulation compliance; emphasis on questioning aviation’ impact on climate change.	Continued great emphasis on how CSR is a growing expectation by various stakeholders, primarily customers and suppliers; continued emphasis on the positive contribution to image.	Continued emphasis on CSR being a new demand led by globalization and an explicit demand by customers and suppliers; admission of its importance even on the competition of employees; continued emphasis on the positive contribution to image.

(Table 7.15 continued)

		Pre-accident		Post-accident		
		Y ₋₂	Y ₋₁	Y _I	Y ₂	Y ₃
Ethics opportunism		Frequent reference to environmental work on reducing charges and gaining financial advantages; significant emphasis on legislation avoidance as motivation for environmental efforts; admission of attempting to influence regulation.	Emphasis on the contribution of environmental work on image and market value; explicit reference that it can get a competitive advantage by anticipating legal or tax-related requirements and managing environmental impacts. Explicit reference to environmental work as an added gain, to the primary aim of increasing competitiveness; explicit admission that environmental work provides opportunities for business development and reduces fuel and management costs.	Continued significant emphasis on the ‘win-win’ view of environmental work; explicit link of environmental work to share price performance; significant emphasis on legislation avoidance as a means of competitive advantage; continuing emphasis on environmental work contributing to legislation avoidance.	Continued emphasis on linking environmental work with opportunities for business development; continuing emphasis on environmental work contributing to legislation avoidance	Great emphasis on relating sustainability with financial growth and shareholder value; explicit reference that sustainability work enhances brand value; continued emphasis on legislation avoidance as means of competitive advantage
	Other evidence	Great emphasis on ‘the polluter pays’ principle	Frequent reference to the costs of other transportation means; continued emphasis on the polluter pays principle	Continued emphasis on the ‘polluter pays’ principle	More emphasis on employees, warnings for stricter times ahead. Focus on lowering costs/prices, increase competitiveness	Frequent references to redundancies; less frequent reference to the ‘polluter-pays’ principle

Environmentally related business risks and opportunities

Environmental aspect	Business risks	Business opportunities
Fuel consumption	<ul style="list-style-type: none"> • Sensitivity to market-based and politically motivated changes in oil prices 	<ul style="list-style-type: none"> • Better technological performance of aircraft and engines leads to reduced fuel consumption
Air, soil and water emissions and noise	<ul style="list-style-type: none"> • More stringent emissions and noise regulations in the future • Investments required to meet tighter emissions and noise regulations 	<ul style="list-style-type: none"> • Better technological performance by SAS's various assets leads to higher efficiency in production and reduced emissions and noise
Waste	<ul style="list-style-type: none"> • Sensitivity to new legal or tax regulations and subsequent investment requirements 	<ul style="list-style-type: none"> • Investments and better routines for efficient utilization of resources and/or recycling systems can reduce waste volumes and waste management costs
Structure of the aircraft fleet	<ul style="list-style-type: none"> • Due to new certification standards, parts of the aircraft fleet may have to be phased out faster than planned or may only be used in certain destinations. There is a risk for investment requirements and/or write-downs 	<ul style="list-style-type: none"> • An aircraft fleet with a low average age presumably has a high technical performance that can more easily live up to future environmental standards, taxes and regulations
Contamination of the soil and water	<ul style="list-style-type: none"> • Contamination of the soil and water can result in a liability for SAS to carry out remediation measures 	
Local impact such as noise, regional and global impact such as carbon dioxide	<ul style="list-style-type: none"> • Local noise restrictions at various airports can have a negative effect on average capacity utilization in the aircraft fleet • International climate conventions can affect SAS's investment requirement 	<ul style="list-style-type: none"> • An aircraft fleet with a low average age presumably has a high technical performance that can more easily live up to future environmental standards and regulations
Environmentally related investments		<ul style="list-style-type: none"> • SAS can gain a competitive advantage by anticipating legal or tax-related requirements
Insurance against environmental damage	<ul style="list-style-type: none"> • Reduced financial risk exposure in the event of environmentally related incidents 	
Compliance with laws and regulations	<ul style="list-style-type: none"> • Violation of environmentally related laws and regulations that govern operations increases the risk for criticism from the market and media, as well as the risk for damage claims 	<ul style="list-style-type: none"> • Credible information about the company's ability to comply with laws and regulations enhances the market position and image
Ongoing and previous environmentally related lawsuits, damage claims and injunctions	<ul style="list-style-type: none"> • Can generate negative publicity and undesirable market reactions if information is not disclosed in an open and credible manner 	<ul style="list-style-type: none"> • Consistent disclosure of significant information to the market
Market position with regard to the environment	<ul style="list-style-type: none"> • SAS's ambition to be a leader in the airline industry must be supported by credible internal environmental activities, otherwise there is a risk that external observers will question SAS's external communication 	<ul style="list-style-type: none"> • By working systematically towards the goal of being a leader in the airline industry, the company improves its market position and thereby creates a favorable platform for future value growth
The management's approach to environmental issues	<ul style="list-style-type: none"> • If the company's management fails to communicate its environmental commitment (internally and externally), the credibility of SAS's environmental operations may suffer 	<ul style="list-style-type: none"> • The management's commitment is crucial for making the advances needed for SAS to take advantage of the business opportunities generated by effective and systematic environmental activities
Organizational support for environmental responsibility	<ul style="list-style-type: none"> • Gradually declining interest in environmental issues within the company 	<ul style="list-style-type: none"> • Through the TQM process and other regular reviews by the management, suggested improvements are better assimilated and the risk of accidents and incidents is reduced

Figure 7.31 Extract from SAS (2000ER, p. 29)

SAS thus seemed to be on the verge of ‘pragmatism’ and ‘opportunism’ – what could perhaps be called an ‘informed’ opportunism: it constantly looked for business opportunities whilst it was also continually aware of the potential risks arising from not meeting critical stakeholders’ expectations. And a number of its identified opportunities and threats stem from the effect, significant to them, that CSR work had on its image and consequent brand value. SAS interestingly further noted that this was particularly important in the turbulent times following September 11th:

SAS’s environmental undertakings enhance the company’s environmental and overall images and, in a longer perspective, also its market value...Measures to improve SAS’s environmental image include both better environmental communication in this environmental report and distribution of additional environmental information through other channels such as the seat back pockets on the aircraft and the internet (SAS, 2000ER, pp 28, 30)

The dramatic events of autumn 2001 show the importance of a strong brand. A survey conducted at the end of 2001 showed that SAS’s customers regarded the airline’s image as twice as important as they did one year ago. According to customers, image is the most important factor when choosing an airline. Strong brands create preference and loyalty and sell again and again (SAS, 2001AR, p.10)

SAS explicitly admitted that CSRes was not a top priority, but one whose potential financial gains were always welcome: As its Chairman stressed (SAS, 2000ER):

Over the past three years we have undertaken the most ambitious investment program in SAS’s history...The new longhaul fleet of ten Airbus A330s and A340s will have a significantly higher capacity than our old Boeing 767 fleet. And since the new aircraft are more fuel-efficient, they will provide a 10-20% reduction in emissions per seat and passenger kilometre. However, I want to underline that these investments have been made primarily to improve SAS’s competitiveness and exploit the potential of this growing market. The environmental gains are an added, and very valuable, bonus that I believe will enhance our image and highlight our role in the Scandinavian tradition of conserving nature (p.6).

He further went on to admit that environmental work was becoming a financial imperative:

Liberalization and sharper competition, greater diversity and a wide range of alternatives have both threatened the airlines’ profitability and created a growing need for profiling through soft values such as environmental, ethical and social accountability. For SAS, it is urgent to pursue these soft values and

set a good example... For me, environmental issues are a natural priority with enormous strategic importance for the future (p.7)

Most often SAS admitted that the increased expectations were coming primarily from the customers:

The number of customers wanting to know how great an impact air cargo or their employees' air travel have on the environment has increased greatly in recent years, in pace with the fact that more and more companies are introducing the environmental management system ISO 14001....Consumers are increasingly expected not only to look at the product itself, but also what the company behind it stands for (SAS, 2001ER, pp. 24-26).

An often-commented distinct reason for CSR work appeared to be legislation avoidance:

By ensuring the best possible environmental technology, SAS minimizes the risk for future emissions-related restrictions. This is a key motive (SAS, 1999ER, p.21),

and SAS even admitted using a number of 'environmental profiling' means, including the environmental report, to achieve a more favourable regulatory framework:

Strategic target groups for SAS' environmental communication include customers, suppliers, the general public, the mass media and public authorities... SAS maintains an active environmental dialogue with the mass media and public authorities, and also distributes its own environmental information in the form of the environmental report..., advertisements and brochures... SAS has thus been able to influence the regulatory framework, air its views and achieve a more positive environmental image (1999ER, p. 29).

As it admitted, such proactive activities in respect of legislation avoidance could be a source of competitive advantage:

Well planned and proactive environmental activities reduce the risk of violating environmental regulations, which can lead to negative publicity as well as direct costs in the form of fines and damages claims. Offensive environmental activities also reduce the risk of being caught off guard by new and more stringent environmental requirements from the market or the authorities. SAS can gain a competitive advantage by anticipating legal or tax-related requirements (SAS, 2001ER, p.158).

SAS further often related environmental (and later, sustainability) work with shareholder value:

An important reason that we are presenting a summary of our environmental report in the annual report is our wish to provide investors and other capital market players with the environmental information they need. All this is to help them to better understand how the proactive and effective environmental work in the SAS Group can contribute to a positive trend of the shareholder value (SAS, 2001AR, p.103).

But these gains were achieved by firstly ensuring that the fluctuating social expectations were met. As the CEO comments:

The international trend is also to make 'sustainability' reports, i.e. reports describing the company's performance with respect to the three important sustainable development: economy, environment and social responsibility. The SAS Group will also gradually go in this direction. We have an impact on both the global and the local community. Consequently, we are required to demonstrate social responsibility, which I believe is a totally legitimate demand (SAS, 2001ER, p.17)

At a later stage, SAS went on to admit that in fact:

Sustainable development for the SAS Group will be attained through a simultaneous focus on financial growth, environmental improvements and social responsibility.... The SAS Group's aim is also to create long-term growth in shareholder value. This will be accomplished by optimizing use of resources and systematically choosing green solutions...Sustainable development enhances brand value (SAS, 2003AR, pp. 8,20).

SAS seemed, therefore, to adopt a mixed opportunistic and pragmatic approach: a business case approach that, however, was focused on simultaneously satisfying the social expectations. As its Hotels subsidiary CEO summarised it:

Environmental awareness is increasing... Therefore the hotel industry is experiencing greater pressure to report on its performance with respect to the environment and social responsibility...In many countries, issues concerning safety, the environment and social responsibility are still quite new. Investing in the environment and social responsibility can give the hotel and travel industry a competitive advantage in these countries. In other markets, such as the Northern European and Scandinavian markets, environmental issues and corporate responsibility have become a critical factor for success (SAS, 2001ER, pp. 226-27).

7.6.5 Conclusion

Tables 7.16 and 7.17 summarise the findings of the case in respect of the propositions and the research questions, respectively. It appears that SAS adopted a strategic and image focused stance, on the verge of opportunism and pragmatism (an ‘informed opportunism’) with regard to its CSRes and CSR.

As Table 7.16 illustrates, the quantitative evidence provided some support for all OL propositions. The levels of CSD, and particularly H&S disclosures, increased considerably in Y_1 . This was also the case for SAS’ positive and negative, and symbolic and substantive CSD. The fact that in Y_2 all types of disclosure decreased and in Y_3 remained at lower than Y_{-2} levels, further indicates that the Y_1 increase was a probable attempt to address the threat.

Table 7.16 A summary of the quantitative findings: year-to-year change

CSD	<i>Pre-accident</i>	<i>Post-accident</i>		
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
TOTAL	23%	52%	(76%)	23%
H&S	123%	91%	(77%)	21%
POSITIVE	0%	47%	(73%)	29%
NEGATIVE	22%	47%	(85%)	54%
H&S POSITIVE	126%	68%	(72%)	11%
H&S NEGATIVE	58%	176%	(90%)	100%
SUBSTANTIVE	4%	60%	(79%)	36%
SYMBOLIC	19%	29%	(74%)	47%
H&S SUBSTANTIVE	112%	42%	(74%)	48%
H&S SYMBOLIC	76%	171%	(78%)	10%

It could be suggested that the findings from the quantitative CA thus signify an image-focused and externally-driven organisation. Given the symbolic way SAS employed H&S CSD, the company seemed to be adopting a pragmatic stance, whereby it employed CSR only to improve its image and defend its legitimacy. And as the qualitative evidence revealed, SAS had a perception of environmental and

sustainability work as a means of satisfying external demands and additionally gaining financial benefits, by mainly focusing on cost savings, legislation avoidance and image improvements.

Table 7.17 SAS and the research questions

What is the underlying CSRes position?	SAS's approach focused on pragmatically satisfying critical stakeholders' needs to then later opportunistically benefit profitability
Is CSR strategic or ethical?	Some quantitative support that SAS took a strategic stance. Predominantly image-focused qualitative evidence provides additional support.
Is CSR reactive or Proactive?	Supportive quantitative evidence that AA reacted to the accidents by disclosing more CSR information. Qualitative evidence presented a balance between reactive arguments of 'pragmatic' nature and proactive ones of opportunistic nature.
Can CSR be explained by social contract?	Some quantitative support. Qualitative evidence further supportive, with frequent references to the importance of meeting the expectations of a variety of stakeholders.

The study's findings, therefore, indicate that SAS employment of CSR was both an externally driven activity (demand from critical stakeholders) and an internally driven one (opportunity to increase profitability).

7.7 Summary

This chapter presented the findings of each case. For each case, brief introductions to the company and the threat were provided, before reviewing the quantitative and qualitative evidence and make inferences to the propositions and research questions of the study.

The discussion indicated that the case studies have a number of similarities and differences in respect of its CSR behaviour. The aim of the next chapter is to synthesise these findings, by providing a cross-case analysis and discussion of the findings in respect of the propositions, research questions and developed framework.

Chapter 8

Cross case analysis, discussion and implications of the findings

8.1 Introduction

The purpose of this chapter is to synthesise the findings from the individual case studies (presented in Chapter 7) by conducting a cross-case analysis; further to provide a discussion and suggest implications of these findings vis-à-vis the relevant CSR literature. The chapter thus aims not at generalising the findings to a larger universe of organisations (what Yin, 2009, describes as *statistical* generalisation) but, rather, relates the findings to the theoretical framework developed in chapter 4 (Yin's *analytic* generalisation).

The cross-case analysis and discussion of the findings is presented in three main sections. First, the findings per proposition are provided. These are followed by the findings per research question. Then, the implications of the findings for the theoretical framework are considered and some ways forward for CSR are suggested. Finally a brief summary of the chapter is provided.

8.2 The findings per proposition

This section is divided into three parts. First, the findings for propositions 1 and 2 are provided. These discuss the changes in total and H&S CSD with additional reference to the reporting media and the themes of the disclosure. Then, the findings for the positive vs. negative and the substantive vs. symbolic propositions, are discussed.

8.2.1 Propositions 1 and 2

Section 4.5 outlined the first proposition to be addressed as follows:

- 1. Following a legitimacy threat, the level of total CSD will show a notable increase*

As the discussion of the individual case studies in Chapter 7 has indicated (sections 7.2.3, 7.3.2, 7.4.3, 7.5.3 and 7.6.3), the quantitative CA findings lend some support to proposition 1 since total CSD showed a notable increase in Y_1 for all examined cases, ranging from 8% for BA (which was not directly involved in an accident in the period) to 320% for AA (which was directly involved in a number of incidents in the period). In addition:

- Y_1 represented a peak in disclosure over the five year period for three cases (BA, AA and SAS) – for AF the disclosure reached a peak in Y_2 and for SIA in Y_3
- For most cases (with the exception of SIA) disclosure declined in the last two years and in Y_3 it either returned to the Y_2 levels (AA), remained at considerably higher than Y_2 levels (AF) or was almost halved (BA and SAS).

As the discussion in sections 7.3 and 7.5 indicated, there are a number of explanations for why AF and SIA reached a peak in disclosure in Y_2 and Y_3 , respectively. The Y_2 peak in AF's disclosure could be perceived as a delayed response to the legitimacy threat posed by the accident, due to the proximity of the latter to the publication of the Y_1 accounts. This Y_2 increase could have also partly been a response to the industry threat posed by the September 11th attacks. SIA's increase in the disclosure (albeit at a lower rate than in Y_1) in the last two years, could be due to the accident triggering an incremental increase in the amount of CSD (as in Cho, 2009) and/or it could be a response to the September 11th industry threat (which also happened in Y_2). In two other cases, the accident happened in the same year as September 11th (SAS and AA, with the latter being directly involved) and was followed by increased disclosure. But despite that in BA's case the terrorist attacks happened in Y_2 , the company's disclosure showed a





















considerable decrease. The evidence is therefore inconclusive on whether this industry threat had an effect on the organisations' CSR and if so, the extent of the latter, although there would appear to be some evidence of impact.

The findings are in agreement with the literature investigating reactions of specific companies to legitimacy threats (i.e. Deegan and Rankin, 1996; Deegan *et al.*, 2000; Woodward *et al.*, 2008; Cho, 2009), which all report an increase in the environmental or CSD information in Y_1 . The 100% plus average⁴⁸ increase is, however, considerably higher than the literature (reviewed in section 4.4.5) suggests. Most studies report increases of less than 50% on average (the only exception being Cho's [2009] 400%, which however concerned a single company). This may be attributed to the aviation industry's wide public visibility, with air crashes having great impacts on organisational reputations and posing immense legitimacy threats. The possibility that the findings were augmented by the September 11th attacks should also be acknowledged.

Considering the generally low agreement on the direction of change (increase/decrease) of 60% among all three recording units (sentences, pages and percentage of AR) as discussed in section 6.4, the agreement on the direction of the year-to-year change for all cases and for both total and H&S CSD was calculated. The findings shown in Table 8.1 also provide some support to proposition 1, since the three recording units agreed on the (positive) direction of the change following the accident in all cases. As the table reveals, this was the only year-to-year change that the recording units agreed upon in all cases, thus indicating the substantial size of the change and lending some further support to proposition 1.

⁴⁸ It should be noted that the averages assist in the comparability of the findings but they are rather 'crude' estimates, since, e.g. in this case only five yearly changes are taken into consideration and the average is influenced by the considerable change in AA's CSD. Additionally, as is seen later, the averages naturally exclude cases of infinite increases, when e.g. companies produce a specific type of report for the first time. Even so, the average change is preferred to e.g. the aggregate change figures, since the latter would be heavily influenced by the most prolific disclosers.

Table 8.1 Agreement on the direction of change in total CSD among the three recording units

	Year-to-year change			
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
BA				
AF				
AA				
SIA				
SAS				

Section 4.5 outlined the second proposition to be addressed as follows:

2. *Following a legitimacy threat, the level of H&S CSD will show a notable increase*





















As the discussion of the aforementioned relevant sections in Chapter 7 has indicated, the findings lend some support to proposition 2 since H&S CSD increased considerably in Y_1 for all examined cases, ranging from 74% for BA to 557% for AA. Additionally:

- Y_1 represented a peak in disclosure over the five year period for all but AF, as was the case for total CSD, and
- For all except AF, disclosure declined in the last two years

The fact that H&S disclosure remained at higher levels than in Y_{-2} throughout the post-accident period, could be because the accident (and potentially also the September 11th events) triggered an incremental increase in the amount of relevant disclosure. Notably, the increase at Y_1 for H&S CSD was considerably greater than for the total CSD in all cases. The findings are consistent with Deegan *et al.* (2000) and Woodward *et al.* (2008), who also report greater H&S than total CSD increases, and it could be argued that the organisations were particularly interested in restoring their legitimacy in respect of this ‘threatened’ area. The average 271% increase for H&S disclosure was, nevertheless, considerably higher than Deegan *et al.* (2000) and Woodward *et al.* (2008), as was also the case for proposition 1.

The findings displayed in Table 8.2 provide some further support to proposition 2, as the three recording units agreed on the positive direction of the change following the accident in all cases. As above, this was the only instance where the recording units agreed in all cases, lending some further support to proposition 2.

Table 8.2 Agreement on the direction of change in H&S CSD among the three recording units

	Year-to-year change			
	$Y_{-2} \rightarrow Y_{-1}$	$Y_{-1} \rightarrow Y_1$	$Y_1 \rightarrow Y_2$	$Y_2 \rightarrow Y_3$
BA				
AF				
AA				
SIA				
SAS				

Having reviewed the findings as regards the change in total and H&S CSD, the findings for the three main types of reporting media examined (AR, social and environmental reports and supplementary data) can be discussed. As the discussion in Chapter 7 has also indicated, following the accident, the disclosure increased for almost all reviewed documents, with a notable exception being the SAS decision to discontinue the publication of supplementary data and incorporate the relevant information in their environmental report.

Interestingly, in Y_2 and Y_3 all information provided in stand-alone reports (social/environmental and supplementary data) decreased whilst the majority of information in AR increased. This also applied to the companies that were publishing stand-alone information in the pre-accident period (BA, SAS), where the increase in AR was greater than that in stand-alone reporting. This general shift to AR disclosure could be attributed to an isomorphic industry trend (although the evidence from a number of surveys, such as KPMG, 2008, supports that stand-alone reporting in the last decade has kept rising). It might also be due to organisational attempts, “to reduce the costs of external reporting” (SAS, 2002AR, p.106) of their CSRes performance (as discussed earlier in section 7.6.3), by disclosing additional information on the AR and on the Internet. The latter CSR medium was not considered in this study.

It could be argued that the argument that organisations increased the disclosed information in Y_1 to address the threat appears, however, more convincing. And following the discussion in chapter 6, a complementary explanation for the identified shift in disclosure media in Y_2 and Y_3 may be that the organisations, in those years, focused on ensuring they maintain communication with their most critical stakeholders, such as customers and employees (in addition to shareholders), which they primarily seem to contact through the AR. In difficult times, the organisations seemed to focus on moving information firstly to the main ‘appendix’ of the AR (the main stand-alone report, as SAS have done), and then to the AR, their main communication source, to better address their most important stakeholders concerns. Nevertheless, in Y_3 the

disclosure in the AR either decreased or stabilised (with the exception of SAS, which nevertheless showed a decline in disclosure in Y_2), lending some further support to the argument that the increase in disclosure in Y_1 was to address the threat.

When the findings per case in respect of the source of CSD in proportions are considered, they lend some further support to the above arguments. Thus, following the accident most organisations proportionately increased the CSR discussion in their ARs. The only exception was AA, which published a single stand-alone report over the period in the year following the accident and then discontinued its publication until 2007 (as discussed in section 7.4.3).

Factors such as size and particularly country of origin may also assist in explaining the *absolute* levels of CSD, as studies by e.g. Gray *et al.* (1995a) and Adams *et al.* (1998) show. It could be argued that, in this case, the CSD levels were heavily influenced by whether the companies published stand-alone information or not, as the discussion of the findings so far indicates. Although all organisations are of a considerable size, the larger ones engaged with publishing stand-alone CSR information on an annual basis (e.g. BA and AF – despite that for the latter these were not available) and, on the whole, disclosed more than the smaller companies, for which stand-alone reporting was either sporadic (SAS) or non-existent (SIA). This does not explain however why AA, the largest of the five organisations at the time, only published one stand-alone report over the period. Thus the country of origin seems a more suitable interpretive factor in this case: companies from countries with a longer tradition of stand-alone reporting such as the UK, France and (some) Scandinavian countries, disclosed more than companies from Asia (other than Japan) and the US (KPMG, 2003, 2005, 2008 – although it should be noted that US companies have shown a considerable increase in publishing stand-alone information in recent years, as KPMG, 2008 reveals).

These factors may also assist, to some extent, in explaining the degree of *change* in the levels of CSD, since this also depends on the absolute levels: i.e. a few sentences' additional disclosure for SIA will show a greater proportionate increase than for BA that

publishes considerably more CSD. The arguments pertaining to size can thus be expressed reversely, since smaller companies which did not publish stand-alone reports showed higher increases in Y_1 . Yet again, the largest company (AA) by its ad hoc publication of a stand-alone report in 2001, showed the greatest increase. Likewise, organisations from the UK, France and Scandinavia that published more CSD at the absolute level, showed less proportionate increase in Y_1 than organisations from US and Asia, which did not publish as much stand-alone information. Naturally, any inferences from these findings to other organisations can only be very tentative, particularly given the small sample size.

The findings for the themes of disclosure in terms of absolute and proportionate year-to-year change can now be discussed. As the discussion in Chapter 7 indicates (sections 7.2.3, 7.3.2, 7.4.3, 7.5.3 and 7.6.3), all disclosure themes showed a considerable increase on average in their absolute levels of disclosure in Y_1 , in what may be perceived as organisational attempts to address all stakeholders' information needs following the legitimacy threats. In addition:

- H&S showed the greatest increase across all themes in Y_1 for most organisations (with the exception of AA), followed by the environment
- Organisational stances vary in Y_2 and Y_3 . Most of the themes decreased, with H&S showing the greatest decrease and environment the least.

I could be argued that the striking increase in H&S disclosure in Y_1 across all cases can be interpreted as an organisational attempt to address the legitimacy threat particularly pertaining to this area. The considerable increase in environmental disclosure, though throughout the post- accident period (a theme not directly related to the accidents) lends some support to the Gray *et al.* (1996) argument that environmental CSD is often employed to distract attention from the issue(s) of concern. As discussed in section 7.6.3, this is particularly evident in SAS's case, where following the accident it even expanded its AR title to include the sub-title: "& Summary of Environmental Report". The relatively smaller increase in Y_1 for workplace and marketplace could be because

these categories have generally higher absolute levels of disclosure, particularly in the pre-accident period.

The findings are consistent with Deegan *et al.* (2000), who also report variations per disclosure theme. Interestingly, their theme with the greatest increase was also H&S (108%), followed by the environment (77%), community (46%) and workplace (9%), although their examined accidents mainly involved oil spills. It should be noted that, unlike this study, disclosure kept rising throughout their examined period for most of the themes. Nevertheless, both their study and the present one find that following the accident, organisations attempt to proportionately address more stakeholders. As the discussion of the findings per case and per theme of CSD (in proportional change) in Chapter 7 (aforementioned sections) indicates:

- All organisations increased the proportion of H&S to total disclosure in Y_1
- All organisations also either increased, or maintained, their proportions to total disclosure of community and environment (the most popular post-accident theme) in Y_1
- All organisations decreased the proportion of workplace to total CSD, which, prior to the accident, was on average (i.e. from all considered cases) the most popular theme (the exceptions being BA and SAS which were the only companies to publish stand-alone reports in that period)
- Organisational approaches differed in respect of the marketplace, which showed a slight decrease on average.

These findings contrast with those of Hackston and Milne (1996), who find that companies disclose more on workplace than environmental issues (and, arguably, also in contrast to Owen *et al.*, 2005, who reveals that managers rank employees higher than environmental pressure groups in terms of stakeholder importance). Hackston and Milne's (1996) finding can be because they only consider ARs, which predominantly focus on customers and employees (as argued in section 6.5.2 and as also evident in Gray *et al.*, 1995b). The environmental consequences of aviation nevertheless *are* an

issue of general concern and, as discussed in Chapter 7, organisations address them either by admitting to it (e.g. SIA) or by attempting to question it (e.g. BA, AF), which in either case is followed by some course of (substantive or symbolic) action. Hence, it could be argued that in addition to swaying attention away from the social issue of concern (as particularly AA's stance suggests), the organisational efforts to proportionately increase their environmental CSD in the post-accident period, may also be perceived as an attempt to pre-empt stakeholder attention to their environmental impacts. Nevertheless, the relative proportions per theme of CSD are also highly susceptible to factors such as industry and country as Adams *et al.* (1998) demonstrate, and the review in section 2.3.3 has further indicated.

8.2.2 Propositions 3 and 4

Section 4.5 outlined the third and fourth propositions to be addressed as follows:

3. *Following a legitimacy threat, the level of positive CSD will show a notable increase*
4. *Following a legitimacy threat, the level of negative CSD will show a notable increase*

As the discussion in Chapter 7 has indicated (sections 7.2.3, 7.3.2, 7.4.3, 7.5.3 and 7.6.3), the findings lend some support to propositions 3 and 4, since, following the threat, the levels of both positive and negative total CSD showed notable increases. In addition:

- almost all companies in Y₁ increased their negative rather than positive disclosure to a greater extent (with the exception of AF)
- this trend was also largely evident in Y₂. Companies (with the exception of SAS) either increased their negative rather than positive disclosure to a greater extent (AF, AA, SIA) or decreased their negative rather than the positive disclosure to a lower extent (BA)

Even though the higher absolute levels of negative CSD when compared to the literature can be attributed to the strict decision rules of the study (as discussed in section 6.5.3), this can only partly explain this increasingly negative trend in disclosure in Y₁. This is particularly the case since, despite as discussed above in Y₂ (i.e. organisations employ increasingly ARs, and which, as seen in section 6.5.3, contain information of a mostly positive nature), and despite the average decrease in total disclosure, the negative disclosure keeps rising. The findings are in contrast to most of the literature predicting (Whetten, 1980; Milne and Gray, 2007), and finding (Abrahamson and Park, 1994; Deegan and Gordon, 1996; Deegan and Rankin, 1996) that organisations suppress negative news, but are consistent with the findings of Woodward *et al.* (2008).

Although the evidence could be interpreted as an attempt to improve image by, for example, offering apologies and admitting guilt to create the impression of honesty (as is more likely the case in Woodward *et al.*, given the low absolute levels of negative CSD they established), it is unlikely that organisations would do so to this extent. It rather seems that the probable organisational attempts to decrease costs in the first two post-accident (and September 11th) years were not restricted to reducing external reporting, but also possibly resulted in neglecting their CSRes impacts, as reflected in the increasingly negative disclosure. As BA acknowledge for that period:

one key challenge has been ensuring that we do not lose sight of important long-term priorities because of difficult market conditions. This includes maintaining the focus on our wider social and environmental responsibilities (BA, 2003SER, p.1).

The findings for H&S CSD in respect of the positive vs. negative distinction are largely consistent with the ones for total, as the findings in Chapter 7 (in the aforementioned relevant sections) also reveal. In Y₁ both positive and negative disclosures increased notably for all case studies, and at greater rates than the increases in total CSD at the time. All companies increased to a greater extent their negative rather than positive H&S CSD in Y₁ and this pattern was generally evident in Y₂. These findings are consistent

with Woodward *et al.* (2008) and (although to some extent the negative disclosure pertains to information regarding the accidents) could also be attributed to organisational attempts to reduce costs.

8.2.3 Propositions 5 and 6

Having reviewed the findings for positive vs. negative CSD, those for substantive vs. symbolic can be considered. Section 4.5 outlined the fifth and sixth propositions to be addressed as follows:

5. *Following a legitimacy threat, the level of substantive CSD will show a notable increase*
6. *Following a legitimacy threat, the level of symbolic CSD will show a notable increase*

As the discussion in the relevant sections in Chapter 7 indicates (sections 7.2.3, 7.3.2, 7.4.3, 7.5.3 and 7.6.3), the findings lend some support to propositions 5 and 6, since in Y₁ the levels of both substantive and symbolic total CSD showed notable increases in all cases (with the sole exception of BA's 8% decrease in symbolic CSD). Additionally,

- Most companies increased their substantive CSD in a greater extent than their symbolic in Y₁, with the exceptions being AF (who delayed their substantive response until the next year) and AA (that published an ad hoc social/environmental report at the time – a document largely symbolic as the findings in section 6.5.3 suggest)
- This trend was also largely evident in Y₂, with companies either increasing to a greater extent, or decreasing to a lower extent their, substantive rather than the symbolic disclosure, with the marginal exception of SIA and SAS.

These findings do not come as a surprise, given the findings in respect of the negative vs. positive CSD in both Y₁ and Y₂ and the findings from section 6.5.4 (negative CSD is

highly correlated with substantive CSD). The generally higher increases in substantive, rather than the symbolic CSD, in both Y_1 and Y_2 could be explained as organisational attempts to substantively address the threats. This could be attributed to the considerable magnitude of the threats (compounded by the events of September 11th), which as discussed in section 8.2.1, were also possibly behind the generally higher increase than that established in earlier studies. Nevertheless, it appears that only in SIA's case was there some evidence (the continuous increase in the substantive disclosure throughout the post-accident period) that the accident could have possibly caused an incremental change and a shift towards more substantive attention to their social and environmental impacts. An additional supporting sign was that in Y_3 SIA also started publishing stand-alone information (not considered here due to its unavailability).

The findings for total CSD in respect of the substantive vs. symbolic distinction are, however, not entirely consistent with the ones for H&S CSD, as the discussion in Chapter 7 also revealed. It appears that:

- Both substantive and symbolic H&S CSD increased considerably across all cases in Y_1
- The relevant increases in H&S CSD were higher than the ones in total CSD at the time (the only exception being SAS's substantive CSD as Table 8.11 indicates)
- In Y_1 most organisations increased their symbolic than the substantive H&S CSD to a considerably higher extent (with the exception of the more balanced BA approach)
- In Y_2 organisations either decreased their substantive than the symbolic disclosure to a lower extent (BA, AA, SIA, SAS) or increased their substantive than the symbolic disclosure to a greater extent (AF).

As in section 8.2.1, the higher increases in H&S compared to total disclosure in Y_1 , across all cases, could be interpreted as organisational attempts to address the legitimacy threats pertaining to this area. Also, the general preference for substantive H&S CSD in

Y₂ was in line with the preference for negative H&S CSD in both Y₁ and Y₂ (as the high correlation between substantive and negative disclosure, identified in section 6.5.3, would suggest). However, the preference for symbolic H&S CSD in Y₁ contradicts the latter findings and, further, is not consistent with the general preference for substantive total CSD at the time.

The preference for symbolic H&S CSD in Y₁ is, nevertheless, consistent with Gray *et al*'s (1995a) finding that, "health and safety disclosure appears to be a strong illustration of Lindblom's second legitimization strategy – 'changing perceptions'" (p.66): organisations, following the threat, and not being able to address their relevant impacts substantively, employ H&S CSD in a way that, "add[s] to the image of a competent and concerned organization which took its responsibilities in this field seriously" (loc. cit.). As the discussion in Chapter 7 has demonstrated, they did so by, for example, expanding their relevant awards sections (SIA), using two page images in the AR of personnel conducting security checks (SAS), changing the wording in their AR headings to emphasise their commitment to safety (AF), or expressing their commitment to safety in large typeface (BA). These are all signs of an image (as opposed to ethics) oriented organisational stance towards CSR and CSRes, as the following section considering the research questions of the study also finds.

8.3 The findings per research question

Following the cross-case consideration of the findings per proposition, which was based on quantitative CA evidence, the discussion now turns to the cross-case findings per research question, which will be based on the qualitative CA evidence. As discussed in chapters 1 and 3, the research questions have a subsidiary role in the study and assist, *inter alia*, in identifying similarities and differences with regard to the main theoretical explanations for CSR. The detailed consideration of the findings in respect of the research questions, and of the qualitative CA evidence, can give further insights into organisational motivations for CSR, the main aim of this study. The consideration of

these findings will also inform (along with the findings from the quantitative CA) the discussion on the implications for the framework of the study (as presented in chapter 4) and for CSR practice, which is presented in the next section.

8.3.1 Research Question 1

Section 1.3 outlined the first research question to be addressed as follows:

- What are the object companies' positions towards CSRes?

Considering that, “CSR[es] and CSR reporting cannot be understood in isolation of each other” (Adams, 2008, p.365) and that CSR is often perceived as a manifestation of CSRes (Gray *et al.*, 1996; O’Dwyer, 1999), understanding the motivation(s) for CSRes practice will give insights into the motivations for CSR. It is in this section that the cross-case evidence from the qualitative analysis is considered and is reported in respect of the three organisational variants identified in chapter 2 that are expected to engage with CSRes. To further look into the potential influences of the relevant accident, a distinction regarding evidence ‘before’ and ‘after’ the threat is also made. This will give further insights into whether the accidents had an influence on organisational CSRes practices and how these are reported.

The next section discusses the arguments that could be perceived as supportive of stakeholder capitalism. These are followed by the evidence relating to ethics pragmatism to the ethics opportunism. In each section, summary tables of the ‘pattern-matching’ activity, making distinctions between the cross-case supporting information for each variant before and after the accident, are made. This was expected to reveal how each organisation changes its relevant references following the accident.

8.3.1.1 Stakeholder Capitalism

Table 8.3 summarises the evidence from the ‘pattern-matching’ activity for stakeholder capitalism. The organisational references are diverse in respect to both the content, and how they are affected by the accident.

Table 8.3 Summary of the ‘pattern-matching’ activity for stakeholder capitalism

Case	Before the accident	After the accident
BA	References to commitment to sustainability as leaving natural and social environment in better condition; detailed references to commitment to citizenship and open dialogue with stakeholders; references to integration of social and environmental factors into management systems.	Continuing references to sustainability, acknowledgement of contribution of aviation to greenhouse effect; references to ethical responsibilities of business towards employees; reference to commitment to improving social and environmental performance.
AF	[No reference]	Acknowledgment of responsibility ‘to different environments’ and to several stakeholders; initiation of additional safety measures; reference to integration of environmental policy into the production process; few mentions of commitment to sustainable development, ethics and transparency and to cleaner technology, even if more costly and despite the difficult times for aviation.
AA	References to considering the interests of employees in every decision made.	References to commitment to sustainability; references to conservation and description of business ethics policy; some evidence of integration of environmental policies in practice through, e.g. training.
SIA	References to commitment to community and local arts.	Frequent references to corporate citizenship and giving back to communities.
SAS	References to integration of environmental work to all decisions and to considering all environmental aspects of operations; few mentions of commitment to sustainability.	Continuing reference to integration of environmental work to all decisions and to considering all environmental aspects of operations; few references to endorsing sustainability.

Most organisations (with the exception of SIA) declare their commitment to sustainability. However, as the discussion in Chapter 7 has illustrated (sections 7.2.4, 7.3.3, 7.4.4, 7.5.4 and 7.6.4), these definitions vary considerably across companies (e.g. for AF, sustainability, at least allegedly, primarily involves compliance with ethical principles whilst for SAS, this also pertains to sustaining shareholder value); within the same company across years (e.g. AA in 2001 appeared to consider sustainability as regards future generations, whilst in 2003 as regards their profitability); and, to some extent, even across pages of the same report (e.g. in BA, 2002SER, on p. 10 the importance of sustainability for future generations is emphasised, whilst on p. 12, it is stressed that the economic ‘dimension’ should also be taken into consideration).

These diverse definitions indicate that organisations tend to interpret sustainability to their own benefit, and as ultimately entailing sustainable profits and image. In that, they seem to have been advised by the organisation offering assurance to their stand-alone reports. SAS report that their auditors suggested it increases its efforts to highlight the link between the Group’s environmental work and its financial performance (2001ER, p.61); and BA seemed to have also been advised by its auditors to do so, as the following extract from its 2000 Social and Environmental Report’s Assurance statement reveals (the assurance organisation is SustainAbility and it is signed by John Elkington):

In assessing corporate positioning in relation to the triple bottom line of sustainable development, we use the simple metaphor of a 5-speed gearbox... As for the fifth gear, the challenge is to link improvements in TBL performance both with customer appeal and the value of a company’s brand... Tomorrow’s economy will be about increasing returns, where we learn to exploit virtuous cycles rather than manage vicious ones (BA, 2000SER, p. 11).

Owen (2007) also notes this, “more strategic, ‘value added’ approach to assurance ... which focuses centrally on the usefulness of the report for stakeholders, and is explicitly concerned with driving future performance” (p. 172). Although this is still far from a reporting approach based on the interpretation of sustainability as in Brundtland Report

(UNWCED, 1987 - a reporting approach which however, Milne and Gray argue that is “extremely difficult and no (corporate) organization would want to do” [2007, p. 195]), it appears that it can serve as a mean of persuading companies to engage with stakeholders. However, “this still begs the question as to how stakeholders can use the assurance findings in any way that might influence organizational decision-making” (Owen, 2007, p. 179).

As Table 8.3 indicates, the accident had an effect on the amount and nature of the supporting references to ethical motivations for CSR for most organisations (with the notable exception of SAS, which, as discussed in chapter 7, appears to be the company closest to opportunism). The organisations responded in different ways. AF and AA started making references to their commitment to sustainability, ethics and transparency, as discussed above, and substantially increased their relevant arguments (particularly, AF had no such references in the pre accident period). BA, despite questioning the contribution of aviation to climate change throughout the pre-accident period, following the accident they started acknowledging it; whereas SIA, started making frequent references to corporate citizenship.

It appears, therefore, that even by solely considering the (initially) identified arguments that *could be* supportive of an ethically motivated organisational stance towards CSRes and CSR, it still seems that organisations are not ethically motivated. Indeed, as the evidence from the case studies in chapter 7 has indicated (see aforementioned relevant qualitative analysis sections), most organisations offer pragmatic arguments as motivations. The next section reviews these arguments.

8.3.1.2 Ethics Pragmatism

Table 8.4 summarises the evidence of the ‘pattern-matching’ activity for ethics pragmatism.

Table 8.4 Summary of the ‘pattern-matching’ activity for ethics pragmatism

Case	Before the accident	After the accident
BA	Great emphasis on the importance of addressing stakeholder needs and environmental impacts to ensure viability; emphasis on questioning aviation’s contribution to climate change; particular emphasis on ensuring satisfied employees to add value; explicit reference to the importance of building a relationship of trust with stakeholders to reputation.	Explicit acknowledgment of prioritising the needs of shareholders and customers over employees; continued great emphasis on the importance of addressing stakeholder needs for viability; continuing emphasis on the importance of stakeholders to reputation and corporate value; explicit acknowledgment of the increasing importance of integrity and ethics to consumers; acknowledgment that maintaining focus on CSRes is challenging during difficult market conditions.
AF	Focus on achieving minimal labour disruptions and attempts to present this as benefiting customers, investors and employees	Frequent symbolic references to commitment to H&S following the accident; provision of accounts in detail on safety procedures; frequent attempts to change their AR’s headings to reflect an H&S focus; explicit reference of CSRes contributing to image; significant emphasis on sustainability as involving balancing environmental with social and economic needs; frequent reference to the importance of dialogue with unions; reference to sustainability as public expectations’ driven; references to ‘trade-offs’ between sustainability criteria.
AA	Frequent references to the importance of satisfying multiple stakeholders’ needs to ensure viability; emphasis on employee satisfaction to maintain quality of service and profitability.	Great emphasis on the importance of employees in ensuring viability; frequent reference to the need to negotiate cost savings with employees and lenders to avoid bankruptcy; explicit acknowledgement of the critical role of a variety of stakeholders in surviving the crisis; focus on securing safe and convenient air travel.

(Table 8.4 continued)

Case	Before the accident	After the accident
SIA	Emphasis on the need for minimising staff costs to improve efficiency and deliver best service to customers	Detailed reference to fleet renewal programs, with particular emphasis on safety; attempts to downgrade their role in the accident; reference to the potential negative impacts that the accident may have on image; detailed descriptions of their awards; great emphasis on the need for minimising staff costs by introducing permanent pay cuts to ensure viability.
SAS	Significant emphasis on the links of environmental performance with business risks, partly from negative media coverage; acknowledgment of stringent regulation in the future as a business risk; explicit acknowledgement that CSR is becoming a financial imperative and to the importance of improving environmental image; emphasis on questioning aviation's contribution to climate change.	Very detailed (and frequently cited) explanation of how CSR is a growing expectation by various stakeholders, primarily customers and suppliers, and also an international trend; continuing emphasis on the positive contribution of CSR to image, particularly following Sep 11th; admission of its importance even on the competition of employees; reference to CSR as a means of regulation compliance; continued emphasis on questioning aviation's contribution to climate change.

It appears that the organisational references are, again, diverse in respect to both the content and as to how the businesses are affected by the accident. It however seems that they considerably exceed in extent and breadth the supporting evidence for stakeholder capitalism in Table 8.3. It could be argued that, as the table indicates, most often the 'pragmatic' arguments pertain to the importance of stakeholders to the organisations' viability. At times, organisations appear to prioritise their stakeholders, with most frequent references to shareholders, customers and employees, followed by references to the society and at times the government (AA) and the suppliers (BA). Among their stakeholder (other than shareholders) groups, organisations frequently appear to refer to the need to maintain employee satisfaction. As the discussion in Chapter 7 indicates, achieving minimal labour disruptions appears to be of utmost importance to most examined organisations (AF, AA, SIA).

SAS, by conducting a risk-benefit analysis, identify further pragmatic reasons to engage with (and report on) CSRes, including criticism from the market and media, competition regarding soft values, customers and suppliers' need, new environmental standards, and international trends (section 7.6.4). Another strand of pragmatic arguments, however, concerns attempts to manage public expectations, by questioning aviation's contribution to climate change and emphasising its economic and social benefits. This is particularly evident in BA and AF. These arguments can be interpreted as attempts to anticipate, and prevent or forestall, potential challenges to legitimacy, usually occurring when companies operate in a 'maintaining legitimacy' mode.

Following the accidents and Sep 11th, all organisations make frequent references to their commitment to air-safety, which is said to be of 'paramount importance' (BA, 2001SER, p.48) and where there are no budget restraints (AF, AA). However, following the accident, most organisations also acknowledge the link of social and environmental performance with image. Organisations express their concern over the consequences that the accident would have on their image (SIA, SAS) and some explicitly acknowledge that their environmental (SAS) and community (BA) programmes (including their CSR) serve as a means to improve that image.

Organisations, therefore, appear to acknowledge being pragmatically motivated towards CSRes (and often also CSR) activities. Principal motivations include satisfying an array of stakeholders' needs and particularly employees, but also customers, media and suppliers; competition on soft values; compliance to international trends and increasing regulation; and direct benefits to the image.

In addition to pragmatic motivations, the discussion of the findings per case also revealed that organisations at times appear to be opportunistically driven. The next section reviews these arguments.

8.3.1.3 Ethics Opportunism

Table 8.5 summarises the evidence of the ‘pattern-matching’ activity for ethics opportunism.

As the table reveals, the organisational references are, once more, diverse as regards their content, although they do not appear to have been particularly affected by the accident. There appear to be three main types of opportunistic arguments: these involve influencing legislation, improving brand image and increasing shareholder value.

A large proportion of the identified opportunistic arguments pertain to influencing regulation. These may involve anticipating future regulations in respect of CSRes (AF) but also using CSR to influence the regulatory framework (SAS). Additionally, as the discussion in Chapter 7 has indicated (sections 7.2.4, 7.3.3, 7.4.4, 7.5.4 and 7.6.4), often organisations attempt to pre-empt environmental taxation on aviation fuel (BA, AF). And it is particularly BA, which seems to attempt pre-empting any governmental decision against the development of Heathrow’s Terminal 5 throughout the five year period, by reminding how important their contribution is on UK’s wealth, customers and employees (section 7.2.4).

Notably, SAS also appear to link anticipating regulation with competitive advantage. A potential reason for this organisational focus on anticipating regulation is the high cost that organisations bear when new regulations (particularly with regard to noise) are put in place. On such occasions, organisations are called to withdraw and replace aircrafts from their fleet, which is particularly expensive in the capital-intensive aviation industry. And it appears to be, indeed, quite common for aviation companies to provide details (usually in tabular form) in their ARs of how the fleet complies with noise standards (SAS, BA, AF, AA).

Table 8.5 Summary of the ‘pattern-matching’ activity for ethics opportunism

Case	Before the accident	After the accident
BA	Frequent reference to the need to be proactive towards CSRes to add value to the products; continued attempts to present Terminal 5 as socially and environmentally beneficial; frequent reference to the need for environmental programmes to be economically reasonable and not distort competition; explicit attempt to pre-empt environmental taxation on aviation fuel	Declaration that they will consider CSRes implications of decisions that promote shareholder value; acknowledgment that they would support some noise initiatives if they bring economic benefits; continuing emphasis on presenting Terminal 5 as essential to BA’s prosperity and UK’s wealth and job creation; continuing reference to the need for environmental programmes to be economically reasonable and not distort competition; continuing attempts to pre-empt environmental taxation on aviation fuel; explicit acknowledgment that community involvement programmes are means of reputation enhancement
AF	Explicit reference to measures taken to anticipate regulatory developments regarding noise standards	Explicit reference to agreements signed with trade unions to anticipate future EC regulations re CSRes; some attempts to question the efficiency of fuel tax (as distorting competition); explicit references for CSRes as having a positive impact on image and on share price
AA	Frequent reference to the dependence on employee satisfaction to increase shareholder value	Continued frequent reference to the dependence on employee satisfaction to increase shareholder value
SIA	[no reference]	[no reference]
SAS	Emphasis on the contribution of environmental work on image and market value; explicit reference that they can get a competitive advantage by anticipating legal or tax-related requirements and managing environmental impacts; explicit reference to environmental work as an added gain, to the primary aim of increasing competitiveness; explicit admission that environmental work provides opportunities for business development and reduces fuel and management costs	Continued significant emphasis on the ‘win-win’ view of environmental work; explicit link of environmental work to share price performance; significant emphasis on legislation avoidance as a means of competitive advantage; continuing emphasis on environmental work contributing to legislation avoidance; explicit reference that sustainability work enhances brand value

As the discussion in Chapter 7 further indicates (see aforementioned relevant sections), organisations seem to be addressing their shareholders when they emphasise that their positive CSRes activities are an ‘added gain’, but their prime focus remains maintaining competitiveness (SAS, AF). Indeed, increasing shareholder value has been cited as a motivation for CSRes for most organisations (BA, AA, SAS), with AA and SAS explicitly noting that, ultimately, every business decision is taken with an interest in increasing shareholder wealth. It could also be argued that, considering that most often there references appear in the AR, this signifies that organisations may want to signal to their shareholders that CSRes activities, despite their potential costs, will ultimately benefit profitability.

In conclusion, the review of the qualitative evidence revealed that, despite the differences in the way each organisation references these arguments, the motivations behind CSRes appear to be predominantly strategic, despite the proclaimed espousal of ethical principles by all organisations. These motivations primarily include from an ethics pragmatism perspective, satisfying stakeholders’ needs (including investors, employees, customers, media and suppliers), competition on soft values, compliance to international trends and increasing regulation, and direct benefits to the image; and from an ethics opportunist perspective, influencing legislation, improving brand image and increasing shareholder value.

These findings will inform the discussion on the second research question, which follows.

8.3.2 Research Question 2

Section 1.3 outlined the second research question to be addressed, as follows:

- Is CSR a strategically or ethically motivated activity?

The combination of the evidence from quantitative and qualitative CA in this, and the preceding, chapter clearly indicate that CSR is strategically motivated. As the findings in chapter 7 indicate, in all cases there is some quantitative and qualitative support that organisations take a strategic stance.

The cross-case findings of the quantitative CA further indicated that the organisations were not ethically motivated towards CSR. As the discussion in chapter 4 has indicated (see Table 4.3), stakeholder capitalists are expected to disclose a large amount of CSR information, primarily use substantive and both positive and negative CSR, and show across time a significant and steady increase in disclosure. Such an organisation was not identified.

The cross-case findings of the qualitative CA presented provided further support for the strategic, image-focused variants but not for the normative variant. As the discussion on the organisational approaches to sustainability (section 8.3.1.1) has indicated, the very definitions organisations employ for sustainability, and the way they appear to pragmatically interpret them (section 8.3.1.2), support Milne and Gray's (2007) suggestions for corporate 'sustainability' reporting as having, "a very particular range of likely purposes and interests to be served by" (p.186) it, far from recognitions of sustainability as "a *systems* concept and not an organizational concept". Likewise, the findings support their arguments for 'sustainability' reporting providing, "some sort of a (largely favourable) account for (some of) their impacts on the environment and society"⁴⁹ (p. 194), with a potential aim, "to legitimate existing corporate behaviours" and, are further, far from "a complete and transparent statement about the extent to which the organisation had contributed to – or, more likely, diminished – the sustainability of the planet" (p. 195).

As section 5.9.2.2 has discussed, the study has adapted the Savage *et al.* (2000) distinction of substantive vs. symbolic legitimization strategies. These also incorporate

⁴⁹ It should be noted nevertheless that stand-alone reports contain proportionately more negative information than the ARs, albeit less substantive, as the findings from section 6.5.3 indicate.

those suggested by Perrow (1970), Lindblom (1993) and O'Donovan (2002a). However, as outlined in section 6.5.4, the research did not primarily aim to qualitatively map the array of different strategies employed, but assessed them quantitatively. This was because it was realised that the evidence could not effectively assist in investigating the applicability of the developed theoretical framework and its supporting theories, since the identified substantive and symbolic strategies could be employed to some extent by *all* identified OL variants.

Examples from the employment of this strategy are provided in Appendix D(iii). As the findings in section 6.5.4 indicate, the 'coercive isomorphism' and the 'altering institutionalised practices' strategies, were quite difficult to detect. This was because it was difficult to determine what the existing institutionalised practice was. Thus, the findings on the substantive vs. symbolic distinction presented above (section 8.2.3) primarily refer to the substantive strategy of role performance and the symbolic one of improving image. As the findings suggest, organisations increasingly employ both strategies following the accident, with variations on the proportionate increases in disclosure.

Nevertheless, as Table 6.10 indicates (section 6.5.4), some evidence on the altering institutionalised practice strategy was identified and measured. This pertained to attempts to influence regulation, such as the ones described above (section 8.3.1.3). Quite often also, some similarities across the organisational arguments were identified which could, arguably, be considered signs of the coercive isomorphism strategy. The most representative of those is how organisations addressed employees through the ARs to argue the necessity for pay cuts following September 11th, which as the discussion in Chapter 7 indicates, was a common argument across all reviewed case studies. BA and AF also addressed the discussion about the introduction of fuel-tax in a very similar way, indicating a widely-accepted industry approach. It is uncertain, however, whether the driving force behind these disclosures was coercive isomorphism or for example, common external expectations.

8.3.3 Research Question 3

Section 1.3 outlined the third research question to be addressed as follows:

- Is CSR a product of a reactive or proactive corporate stance?

Generally, as chapter 3 (see summary section 3.8) has indicated, this distinction is not particularly useful in investigating motivations for CSR, especially when considered on its own. This is because proactive stances may denote both strategic attempts to increase profitability but also ethical perspectives. Likewise, reactive disclosures may be a sign of sensitive and responsive corporate stances, interested in stakeholder expectations, but also a sign of a strategically motivated stance, interested in survival. As Gray *et al.* (1995a) note, they “accept Arnold’s [1990] point that Guthrie and Parker’s (1990) attempt to classify CSR as simply reactive or proactive is too simple” (p.67).

It should be noted that, since the framework is based on social contract, it is by its very nature a reactive one. Organisations thus were expected to be constantly monitoring their critical constituents’ expectations to maintain legitimacy and the licence to operate. However, the framework predicted that, having ensured legitimacy for their operations, some organisations would also employ CSR in an opportunistic way to extend legitimacy and increase profitability. Thus, from the outset, the framework could incorporate both reactive and proactive arguments.

As the discussion of the examined cases in Chapter 7 indicates, it could be argued that all organisations reacted to the accident by showing notable increases in their CSR, as the cross-case analysis in section 8.2, also indicated. As further discussed above (sections 8.3.1.2, 8.3.1.3), and despite the majority of the qualitative analysis evidence suggesting reactive stances, some proactive arguments were also identified (including influencing legislation, competitive advantage and improving image). It would be interesting, thus, to investigate the framework in a longitudinal research but without considering a threat to investigate the relevant influences of these arguments.

Figure 8.1 graphically represents the findings from the research questions considered thus far. The strategic vs. ethical dimension was based on the findings from question 1 (the closer to opportunism organisations are, the more strategic they are considered to be). Thus, in a ranking of ‘ethicality’ based on how they appear to perceive their CSRes, all companies are found to be strategically driven, with SIA, however, being the least, and SAS being the most, strategically motivated.

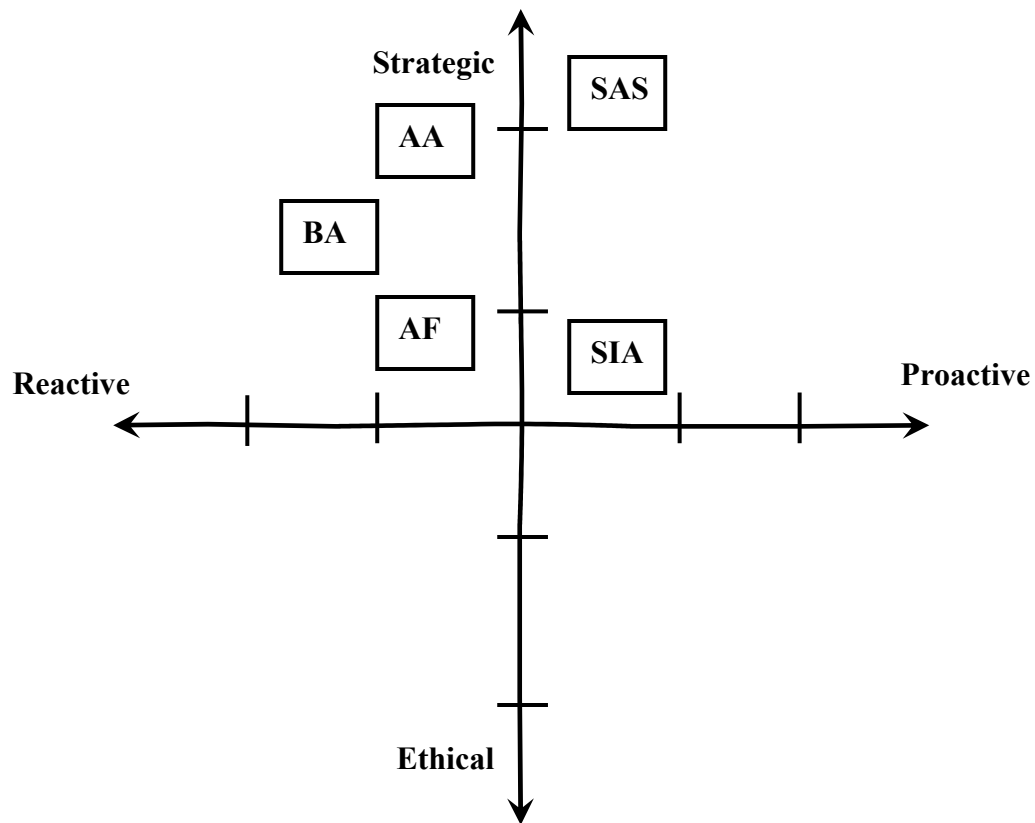


Figure 8.1 The reactive vs. proactive and ethical vs. strategic dimensions

Deciding on the proactive vs. reactive dimension has been more challenging since it could be argued that all organisations reacted to the accident. Nevertheless, the relative standings were based on the overall disclosure patterns displayed over the five-year period. Hence, SIA, that increased their disclosure throughout the period) appear to be more proactive than BA, which at the same time only twice increased their disclosure. It

should be noted, though, that as discussed in section 7.5, SIA may have increased their disclosure at the time because they were possibly attempting to pick up on the CSR trend (since, e.g. in 2003 they published their first stand-alone report) or even because the accident posed a greater threat to them. This may have caused an incremental change and a shift towards more substantive attention to their social and environmental impacts, and which thereby reveals some of the major limitations of this simple distinction.

8.3.4 Research Question 4

Section 1.3 outlined the fourth research question to be addressed as follows:

- Can CSR be explained on the basis of a contractual relationship between organisations and society?

Social contract is the basic tenet of the framework. It could be argued that the combined evidence from the quantitative and qualitative analysis in this, and the preceding, chapter provides some support for this case. All cases reviewed in chapter 7 provided some support for the argument that CSR can be explained by the social contract. The quantitative analysis, consideration of the study's propositions in section 8.2, and the qualitative analysis of the pragmatic evidence in section 8.3.1.2, provide some additional support for this argument.

It should be noted that, since social contract theory is also the basic tenet of the 'traditional' LT arguments (which focus on the pragmatic variant of the framework) these have also been granted some support from the review of the findings. Nevertheless, the main benefit of the study's framework is that it can also incorporate a number of proactive arguments, such as the ones discussed above (section 8.3.1.3), and even some normative arguments, despite the lack of supporting evidence. Thus, it offers a fuller explanation than the 'traditional' LT lens on the identified evidence.

8.4 Implications of the findings

Having reviewed the quantitative and qualitative analysis findings in respect of the propositions and research questions, the discussion now turns to the implications of the findings. First the implications of the findings for the developed theoretical framework are considered, followed by the implications for CSR practice.

8.4.1 Implications for the framework

Table 8.6 consolidates the findings for both CSRes and CSR, by drawing on both the quantitative and qualitative analysis evidence. In respect of the qualitative analysis, to get some indication of the support for theoretical explanations incorporated in the study's framework (chapter 4), each argument receives a 'tick' for being referenced as a motivation for CSRes and/or CSR at least once in each of the five reporting periods; this is regardless of the frequency of the reference within that period, therefore there is a maximum of five 'ticks' for each theory. 'Ticks' in lower font size denote support for CSRes and in larger font size for CSR. Descriptions in bold denote support from the quantitative analysis (all in respect of CSR). The theoretical interpretations are grouped according to the variant of the framework they support (section 4.3) and strategic arguments that can take both pragmatic and opportunistic interpretations are presented at the bottom of the table.

Thus, in respect of motivations for CSR, as Table 8.6 demonstrates there appears to be no support from either the quantitative or the qualitative analysis for the ethical arguments under the stakeholder capitalism variant. As section 8.3.1.1 indicated, some arguments from the qualitative CA that could be considered as supporting ethical motivations for CSRes (and, in extension, possibly also for CSR) were originally identified (and are included in Table 8.6). These particularly pertained to proclaimed commitments to sustainability (but also transparency, and expressed ethical, social and environmental concerns).

Table 8.6 Summary of the findings

Theoretical arguments		BA	AF	AA	SIA	SAS
Stakeholder capitalism	Business ethics theory	√√	√	√√	√√√	
	Accountability theory (holistic)	√				
	Stakeholder theory (moral)	√	√	√√√	√	
	Social environmental concerns / sustainability	√√√√√	√√√	√√√	√√	√√√√√
	Transparency		√			
Ethics pragmatism	MAST					√
	Public pressure		√√			√√
	Institutional theory / trend					√√
	Pressure from markets / Competition	√√√√	√			√√√
	Stakeholder theory (strategic)	√√√	√√√	√√√	√√√√√	√√√
Ethics opportunism	Positive accounting theory					
	Competitive advantage	√√√√√				√√√√
	PE4					
	Decision usefulness theory	√√	√√√	√√		√√√√
	Improving staff moral / satisfaction		√√√√	√√√		
	Influencing regulation	√√√	√√√	√		√√√√√
Other strategic	Social contract theory	√√		√√√√	√√√	√√√
	Agency theory					
	Accountability theory (strategic)					
	Signalling theory					
	Marketing (image) theory	√√√√√	√√√√	√√	√	√√√√√

However, as the discussion revealed (see also section 8.3.2), these potentially supportive for the ethical variant arguments appeared to be strategically interpreted and were far from a reporting approach based on the interpretation of sustainability as in the Brundtland Report (UNWCED, 1987) and from acknowledging that all the company's stakeholders have a right to information and CSR is "a key mechanism for social, environmental and economic sustainability" (Unerman, 2007, p. 89). Nevertheless, an inclusion of a normative variant in any framework attempting to explain CSR practice is necessary, if not in the hope that organisations may adopt such perceptions in the future, at least to acknowledge that some organisations may be (fully or at least partly) ethically driven.

It could be argued that most of the remaining strategic theories in the CSR framework find some empirical support by either qualitative CA (institutional theory/trend, pressure for markets/competition, competitive advantage, decision usefulness theory, influencing regulation) or quantitative CA (public pressure, stakeholder theory [strategic variant], social contract theory, accountability theory [strategic variant]), with marketing (with particular reference to image) theory appearing to be the only one to be supported by both quantitative (chapter 7 and section 8.2) and qualitative (section 8.3.1) analysis. The findings lend some support to both pragmatic (section 8.3.1.2) and opportunistic (section 8.3.1.3) image perceptions. These findings are consistent with arguments considering image as common in practitioner discourse (Unerman, 2008) as particularly reflected in the findings of the latest KPMG survey (2008), whereby 55% of their 2,200 surveyed corporations around the world (compared to 27% in 2005) considered improving brand and reputation as a prime motivation for CSR:

This could indicate that companies are taking proactive steps to adjust to the social and economic challenges of our time. Brand and reputation are difficult to quantify or decipher, but these results seem to indicate that companies have determined that mishandling or avoiding their social and environmental responsibilities could be detrimental to their brand worth (p.19).

The findings also lend some support to social contract theory and to a number of pragmatic arguments. As discussed above (section 8.3.4), the combination of the

evidence from both the quantitative and qualitative analysis in this and the preceding chapter provides some support for the case that CSR can be explained on the basis of a 'contractual' relationship between organisations and society. Although organisations did not make a reference to public pressure pertaining to their CSR activities, these arguments are to a large extent overlapping with social contract theory and can thus be considered to have also been empirically supported by the findings. Qualitative analysis lent some support to both international trend and competition on the soft-values arguments. Particularly the argument that organisations engage with CSR to pick up on a trend can be considered to be supportive of institutional theory, along with the evidence provided in section 8.3.2 pointing out the similarities in the discourse among organisations.

It could be argued that the strategic variants of stakeholder theory and accountability theory were also empirically supported. Although the organisations did not make any reference to accountability theory (and hence there is no direct support for it from the qualitative CA), its strategic variant may also be considered to be empirically supported by the findings, since both the quantitative and the qualitative evidence indicate that CSR is used to maximise the organisational economic prosperity. Both qualitative and quantitative CA evidence also provides some support for stakeholder theory, with regard to both CSR and CSRes. Although stakeholder theory can take both pragmatic and opportunistic interpretations, in Table 8.6 it is presented in the pragmatic group of theories because most often organisations refer to the criticality of addressing multiple stakeholder needs, as opposed to the potential benefits from 'capturing' these needs.

In respect of the opportunistic arguments, the qualitative analysis lent some support to the competitive advantage, decision usefulness and influencing legislation interpretations (section 8.3.1.3). As the discussion in section 8.3.1.3 indicated, a large proportion of the opportunistic arguments pertain to influencing regulation, most often in respect of CSRes but also of CSR. It should be noted though that with regard to decision usefulness arguments, the support from the findings deviates to some extent from the way they were discussed in chapter 3 and are more frequently interpreted in the

literature. Most often the qualitative analysis evidence supported arguments for CSR as a means to increase shareholder value, as opposed to addressing shareholders' information needs (although some arguments for the latter were also evident in SAS' case). Particularly the qualitative analysis findings, therefore, extend Unerman's (2008) argument over disclosures about corporate reputations

disclosures in the annual report about a corporation's reputation (including its ranking in various reputation indices) may be aimed more at building economic reputation amongst investors than addressing the social and environmental expectations of a broad range of stakeholders (p. 363)

and would suggest that CSR is ultimately employed and at times explicitly presented by organisations as a means to ensure their shareholders interests, by maintaining or expanding profitability. These arguments are consistent with Owen *et al.*'s (2005) findings that managers considered shareholders to be the most important group of stakeholders in CSR. The arguments are also consistent with the findings from section 8.2.1, indicating that in the post-accident years organisations appeared to 'shift' information from the standalone reports to the ARs to focus on addressing their most important stakeholders concerns. It should be acknowledged, nevertheless, that since organisations' overarching aim is profit maximisation, almost any activity undertaken by (particularly larger) organisations "must be, virtually by definition, in the interests of the organisation and its financial participants" (Spence and Gray, 2007, p. 17).

As Table 8.6 also indicates, qualitative CA lent some support to a couple of arguments as motivations for CSRes but there was a lack of relevant supporting evidence for CSR. These include MAST and improving staff moral/satisfaction. In respect of increasing employee satisfaction, it could be argued that the references in the reports also contribute towards this aim and this could thus also be considered as motivation for CSR. Similarly, considering that the qualitative CA evidence provides some support for a MAST motivation for CSRes it could be argued that organisations would need to report on their CSRes to address the public concerns, as reflected or shaped by the

media, and thus the support for MAST as motivation for CSRes could also be extended to CSR.

Finally, some arguments of the framework were not considered as being supported by either the qualitative or the quantitative evidence, primarily because, by nature, they are difficult to be investigated. These include PE4, agency theory, signalling theory and positive accounting theory. With regard to PE4, to some extent all strategic arguments and relevant supporting evidence could be also considered as lending some support to this view. Positive accounting theory also entails that CSR is used in a strategic manner, and it has been argued that it is largely compatible with LT (Deegan, 2000), although its basic premise that managers would employ CSR to minimise reporting earnings, would appear to be in contrast to the findings of the study suggesting that CSR is employed to maintain or extend profitability. Signalling theory may also be considered as a lens to interpret the empirical evidence, although, as the discussions in section 3.4.2 indicates, to some extent all CSR activity could be considered by nature to be a ‘signal’ to target groups. Lastly, as regards agency theory, there was no evidence from the findings that managers and shareholders interests were in conflict – in contrast, as explained above, there was some supporting evidence that managers employ CSR as a means to maximise profitability and thus their interests coincide with those of the shareholders. Nevertheless, more research needs to be conducted to clarify how and to which extent these theories could serve as interpretations of CSR practice.

Hence, it could be argued that the findings provided some support for the framework. The quantitative findings lent some support to the social contract theory, the basic tenet of the framework. In addition, the findings lent some support to both pragmatist and opportunist variants and for most of the underlying theoretical arguments, although the support for the normative variant was limited. The possibility that some other explanations were behind the organisations CSR at the time, should nevertheless be acknowledged.

It should also be acknowledged, though, that a number of limitations of the framework became evident when conducting the analysis. It is at times difficult to determine whether some arguments and specific organisational actions are opportunistically or pragmatically motivated and e.g. references to influencing or anticipating legislation have been considered as opportunistic arguments, although to some extent they also relate to legislation compliance. Further, the stakeholder capitalism variant comprises a number of theoretical explanations, which, despite that they all appear to have a normative orientation, are quite diverse. Although these limitations pertain to some extent to all frameworks synthesising multiple theories, it is acknowledged that more research is needed to clarify the relationships of the theoretical arguments.

8.4.2 Implications for CSR practice

Having considered the implications of the findings for the framework developed in chapter 4, the implications of the findings for CSR practice can be considered. As Adams *et al.* (1998) note:

an understanding of the factors which influence the corporate social disclosure decision is important to those of us who wish to see improvements in the relevance, completeness and objectivity of such information. A greater understanding of these influential factors will inform debates on how such improvements might be made (p. 13)

Based on the findings, three prime drivers for CSR could be identified: opportunism, external pressures and regulation. Opportunistic arguments, most commonly referred as the business case for CSR appear to be at the forefront, in respect of both research (Spence and Gray, 2007; Unerman, 2007) and organisational practice (KPMG, 2008). As KPMG (2008) notes, citing Goyder (founding director, Tomorrow's Company):

In a nutshell, “Yesterday’s societal concerns are today’s consumer concerns and tomorrow’s shareholder returns”. To be a successful business in the future you need to redefine success – to ‘future proof’ your business it is crucial you align your strategy with the needs of society (p. 106).

Unerman (2007), citing Spence (2005), argues that the “‘win-win’ business case has achieved such a dominant position in business thinking and discourse about CSR, that it effectively suppresses many arguments which may highlight the environmental damage caused by many business activities, thus facilitating the continued unsustainability of business” (p. 90). In addition, if organisations as in this study engage with CSR to gain competitive advantage or influence regulation, it is unlikely that the phenomenon will considerably improve in relevance, completeness and objectivity, since opportunistic arguments are by nature sporadic and not sustainable. Thus, supporting business case “would be undesirable from stakeholder accountability and social justice perspective” (O’Dwyer, Unerman and Hession, 2005, p. 35).

As the findings suggest, CSR can be explained on the basis of a contractual relationship between organisations and society and is thus externally driven. There is however little research engaging with various groups of stakeholders, such as trade unions and consumer groups and more research “needs to examine how these stakeholders believe we could move towards greater participative democracy through CSD and help to raise public awareness of corporate impacts, thereby challenging ... public apathy” (O’Dwyer, Unerman and Bradley, 2005, p. 36). As O’Dwyer, Unerman and Bradley (2005) suggest:

recent evidence of consumer concern (as a potentially economically powerful stakeholder group) with CSR will need to be harnessed in order to force companies to improve voluntary disclosures by raising issues surrounding their social and environmental impacts in the wider political arena... This is also the most likely means by which some form of widespread demand for mandated reporting will emerge in this context (p. 35).

The third driver of CSR that could be identified is regulation. As the findings of the study suggest, the proportion of mandatory CSD in BA’s reports was small (section 6.5.5). However, as Tricker (1983) has noted, “to be able to demand accountability presupposes the potential to exercise power – whether it is based on legitimate authority or the wielding of some other sanction” (p. 33). Considering that the law, which sets

“the rules of the game in which the organisation chooses to play” (Gray *et al.*, 1988, p. 13) in the case of CSR is largely absent; and that, as documented above, employees, customers and other parties affected by corporate operations, are all increasingly perceived by modern, increasingly powerful, capitalist organisations as a means to secure profits (Jones, 1996, see also e.g. Friedman, 1962; 1970; Drucker, 1969; 1984), it seems reasonable to give credit to Puxty’s (1986) early arguments for communication being systematically distorted (see also Habermas, 1973). In fact, as Puxty further noted, “the multiplicity of accounting methods and reporting alternatives means that there is no touchstone on which the communication can rely” (1986, p. 99), signifying the importance of the development of regulated “social, ethical and environmentally responsible reporting frameworks that engage with all organisational stakeholders” (Turner *et al.*, 2006, p. 2).

It appears that particularly SMEs tend to view direct legislative action as the only way to ensure that businesses change their orientation towards environmental issues (Tilley, 2000; Revell and Blackburn, 2007):

Regulation is often reported as the most widespread stimulus for making environmental improvements amongst SMEs (Baylis *et al.*, 1998; Hillary, 1995). Owner-managers typically feel that it is up to the government to take the lead on environmental issues by creating a ‘level playing field’ via regulation. This perception of parity helps business owners to feel they are safeguarded against ‘free riders’, who might avoid costly environmental measures and thus gain competitive advantage. Hunt (2000) found that small firms see regulation as providing a clear signal of what are their environmental responsibilities. In fact, if it is not regulated, then owner-managers often assume that there is no environmental problem (Revell and Blackburn, 2007, p.408)

As Milne and Gray (2007) note,

It is our hope – what we anticipate on optimistic days – that substantive legislation will be recognized as essential and that a combination of organizational reporting on un-sustainability, full accountability and a complete change in the focus of power and decision-making to that of the ecosystems in a wider systems conception will empower the demos to take back control over

what it is to be human and find a new patch towards a ‘right living’ within a sensible harmony and understanding of ecology (p. 200).

However, it would appear that “The evidence in many countries is that [regulated reporting] may well be (currently) a naïve hope” (Milne and Gray, 2007, fn 15, p. 202).

In respect of the findings and the foregoing discussion, the future of CSR, therefore, appears gloomy. Despite that CSR has improved substantially in the last decades, worryingly, these improvements are mostly correlated with raised public concerns, (primarily) arising from environmental catastrophes. The more harm humans do to their environment, the more (ultimately, through increased public expectations) CSR information is disclosed. On a positive, nevertheless note, as Milne and Gray (2007) conclude:

In the end it is up to each and every one of us to do what we can. To take choices – about ourselves as individuals, about our networks, families and friends, about our personal and public activities and especially about our contextual, professional, involvements and to try and do what we believe is the right thing to do – not simply what others tell us can be done.... we have to learn to dissent, to argue with things taken for granted or foisted upon us, and just because the odds are against us it doesn’t mean we shouldn’t try. We are each terribly limited creatures individually but collectively we can achieve enormous amounts. After all, look what we have done to the planet – and that was without even trying! (p. 200)

8.5 Summary

The chapter presented the cross-case findings of the study. The findings lent support for all propositions of the study. In respect of the research questions, the qualitative analysis findings indicated that organisations mostly adopted strategic, externally driven positions regarding their CSRes, despite their proclaimed espousal of ethical principles. The discussion on the proactive vs. reactive distinction indicated that this is not particularly useful in investigating motivations for CSR. Finally the findings from both

the qualitative and quantitative analysis confirmed that CSR can be explained on the basis of a 'contractual' relationship between organisations and society.

The findings provided support to the framework and to particular arguments such as public pressure, institutional theory, decision usefulness theory, competitive advantage, legislation avoidance, image and the strategic variants of accountability and stakeholder theories. Based on the findings, it was suggested that there are three prime drivers for CSR: external pressures, opportunism and regulation, and their implications from these findings for the CSR practice were discussed.

PART V CONCLUSIONS

*...Wise as you have become,
so full of experience,
you must already have understood by then
what Ithacas mean.*

K P Kavafis (1863-1933)

Chapter 9

Conclusions

9.1 Introduction

This is the concluding chapter of the thesis. It firstly reconsiders the principal aims and subsidiary research questions and summarises the research approach. This is followed by a reiteration of the main findings of the study. These are viewed to see how, and to what extent, the research questions have been addressed. The next section discusses the contributions made to the CSR literature, in respect of both theory and methodology. It then discusses the limitations and boundaries of the research and identifies some areas for future research. Finally, a summary of the chapter is provided.

9.2 The research questions and approach revisited

The study adds to the literature engaged in attempts to explain CSR practice. Its main aims have been (a) to investigate motivations for CSR, and introduce a framework to model the relationships and synthesise most of the theoretical explanations for CSR; and (b) to review the use of CA in CSR research, with a focus on CA decisions regarding sampling, recording and context. Considering that, “explaining CSR reporting is a long way from ‘normal science’” (Bebbington *et al.*, 2008b, p. 373) and the many gaps in the relevant literature encountered during the research process, the research has engaged with both theory and methods’ development and offers contributions and findings in respect of both areas.

The overarching research questions were:

- How do organisations respond to a threat to their legitimacy?
- Which are the most suitable context and recording units in CA?

In addition, subsidiary questions that emerged from the initial literature reviews and later assisted in investigating the theoretical aims of the study were:

- What are the object companies' positions towards CSRes?
- Is CSR a strategically or ethically motivated activity?
- Is CSR a product of a reactive or proactive corporate stance?
- Can CSR be explained on the basis of a contractual relationship between organisations and society?

Following a review of the literature in respect of how these questions have been answered (chapter 3), a theoretical framework was developed, whereby the research questions served as dimensions (chapter 4). The framework was based on LT and its basic tenet, social contract theory. However, the framework reconsidered the 'traditional' approaches to LT found in the literature, advocating that LT, by its nature, can only incorporate reactive arguments, and suggested that theory should incorporate reactive as well as proactive arguments. The framework is depicted in Figure 9.1.

As the figure illustrates, the framework originally made a distinction between legitimacy pertaining to organisations (OL), individuals or the system. After clarifying that the focus of this research is OL, it was explained that a resource-based view was adopted, whereby the legitimacy is a resource upon which organisations are dependent for survival. Within the OL spectrum, therefore, three further spectra were identified with regard to their relationship with CSR⁵⁰. In the 'profit' circle, strongly profit-oriented organisations were included, that ensure legitimacy for their operations without having to engage with CSR ('pristine capitalists'); whereas, in the 'ethics' circle, principally ethics-oriented organisations were included, that employ CSR to satisfy the informational needs of *all* their identified stakeholders and discharge their holistic

⁵⁰ Note that because of this tri-nature of OL, its circle is in dotted lines.

accountabilities ('stakeholder capitalists'). In the third circle, some, primarily profit-oriented, organisations were included, which strategically engage with CSR, to meet their most powerful stakeholders' needs ('ethics pragmatists') and/or transform their legitimacy requirements into business opportunities and support their economic position ('ethics opportunists'). Considering that these organisations do not primarily employ CSR to *be* legitimate (in ethical terms) but to *show* they are acting legitimately, this profit *in disguise* area was described as the 'image' circle.

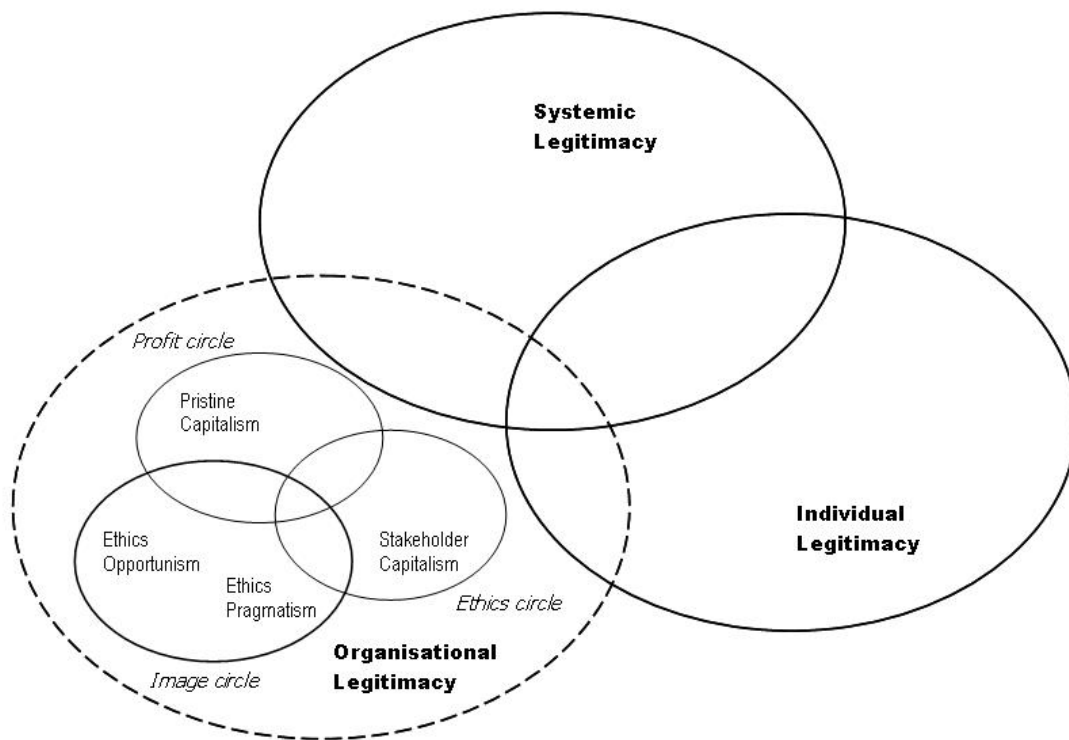


Figure 9.1 Types of legitimacy

The relationship of the four identified OL variants to most of the theoretical explanations for CSR (reviewed in chapter 3) was pointed out. It was suggested that the stakeholder capitalism variant incorporates theoretical explanations for CSR such as business ethics theory, transparency, social and environmental concerns and the 'moral' approaches to stakeholder and accountability theories. On the other hand the variants in the image circle (in addition to image theory) both incorporate the 'strategic' approaches to

stakeholder and accountability theories. The ethics pragmatism variant also incorporates the 'traditional' LT arguments and CSR interpretations, such as institutional theory, MAST, public pressure theory, and market pressure drivers; whereas the opportunistic variant includes decision usefulness theory, competitive advantage, positive accounting theory, influence regulation, and Buhr's (1998) approach to PE.

How organisations manage their legitimacy was also discussed and a number of legitimisation strategies were identified in the literature. The discussion indicated that OL arguments are most frequently empirically investigated by examining reactions to legitimacy threats. Hence, for the purposes of this research, corporate disclosure reactions to some major legitimacy threats in the form of aviation accidents have been investigated and the below propositions were constructed:

1. *Following a legitimacy threat, the level of total CSD will show a notable increase*
2. *Following a legitimacy threat, the level of H&S CSD will show a notable increase*
3. *Following a legitimacy threat, the level of positive CSD will show a notable increase*
4. *Following a legitimacy threat, the level of negative CSD will show a notable increase*
5. *Following a legitimacy threat, the level of substantive CSD will show a notable increase*
6. *Following a legitimacy threat, the level of symbolic CSD will show a notable increase.*

Following the presentation of the propositions, it was suggested that, focusing on identifying the changes in the levels of CSR between prior to and following the accident would be useful towards examining whether CSR is part of the requirements of an implicit social contract; however, it was acknowledged that such a focus did not appear to be particularly useful towards identifying which specific (out of the four identified) approaches towards CSR the organisations would adopt. Consequently, the need to consider alternative research approaches that would focus less on the quantity, and more on the quality, was revealed.

To address this concern, a mixture of qualitative and quantitative methods was employed to investigate motivations for CSR. This approach was based on the belief that there is no one best way to undertake research, and that all methods can be useful, subject to the specific research questions of the study, which is consistent with Laughlin's 'middle-range thinking' philosophical stance. Thus, the study's methods have involved a longitudinal adaptation of Yin's (2009) multi-case study, explanatory research design, with Annual and stand-alone reports as data, and both quantitative and qualitative CA as data analysis methods. The focus of the discussion on the methods, nevertheless, was on quantitative CA, considering the methodological aims of the study and the fact that the nature of the research and its propositions requires measuring the levels of CSR.

To inform, thus, the CA decisions and address the methodological objectives, a quasi-systematic review on the employment of CA in the CSR literature was conducted (chapter 5), focusing on issues regarding the choice of sampling, recording and context units. With regard to the sampling units, the choices on the industry (aviation), the time scale of the research (five years) and the companies to be investigated (BA, AF, AA, SIA and SAS) were justified. The fact that the September 11th attacks occurred in that period was noted as a potential additional threat and was taken into consideration when interpreting the findings. As regards the recording units, the review demonstrated that, among those considered (words, sentences, proportion of page, page size), the page size data approach employed by Hackston and Milne (1996) appeared to be superior. The study, nevertheless, developed the latter approach, and additionally considered sentences and proportions of AR as recording units to increase the validity of the inferences.

With regard to the context units, two 'categorical' distinctions have been adopted throughout the study: the positive vs. negative (regarding the type of CSD); and the substantive vs. symbolic (regarding the quality of same), to investigate the related propositions. The former distinction is often employed in CSR studies; however the review indicated that the latter distinction is rooted in LT and could thus assist in identifying latent characteristics of the data. The legitimacy strategies suggested by

Savage *et al.* (2000) were customised to reflect the research questions. Considering that a sole focus on quantitative CA could not contribute significantly towards identifying the corporate position regarding CSR, a qualitative approach to CA was also adopted, involving a number of Yin's (2009) recommended analysis techniques for case-study research (i.e. pattern matching, explanation building, time series, and cross-case analysis).

9.3 Findings

Having provided a review of the study's aims and approach, the findings of the study can be discussed in respect of both theory and methodology. Following the order they emerged and were presented in the thesis, the methodological findings are summarised first.

9.3.1 Methodological findings

These methodological findings particularly relate to the employment of CA in the study, with a focus on CA decisions regarding sampling, recording and context. As regards the sampling unit, it was initially found that CSR in the AR may account for as little as 7% (for BA) of total CSR disclosure, confirming the literature suggestion for the need for studies to consider CSR sources additional to the AR.

As regards the recording units, high correlations among all three approaches employed were identified, which could confirm that part of the literature suggesting that there are negligible inconsistencies across the findings of each recording unit. However, a more detailed consideration of the findings revealed that the three recording units used (sentences, pages and proportion of AR) only agreed in 60% of the year-to-year changes (regarding the upward or downward direction of the change). This was possibly due to the finding that pictorial information (including tables, graphs and images) may account

for as much as 46% (in ARs) of total CSR, indicating the need for future studies to consider a variety of recording units.

With regard to the context units, the multitude of reliability assessments made, in addition to demonstrating that the analysis was reliable, also showed almost no difference in their findings, thereby indicating that these assessments could be employed interchangeably in most CA studies.

A number of emergent theoretical findings, which, however, also relate to the context and sampling units, can be presented here, to allow for the next section to focus on discussing the findings regarding the theoretical research aims, questions and propositions of the study.

The theme of the disclosure and the mandatory vs. voluntary distinction, despite making less significant contributions to the research, were found to be more reliable than the (potentially more useful) positive vs. negative and the substantive vs. symbolic distinctions, confirming that literature suggesting that there is an interplay between validity and reliability in respect of these distinctions. The findings on the substantive vs. symbolic distinction indicated that the greater the power of the constituent (i.e. customers and employees could be perceived as more 'critical' stakeholders to the company than the community), the more likely management is to offer substantive than symbolic accounts, lending support to the resource dependence theory. The additional consideration of the findings on the positive vs. negative distinction, supported arguments of symbolic legitimation primarily involving (implicitly positive) attempts to appear consistent with social values and for organisations selectively releasing positive information, and only disclosing the negative when the latter cannot be concealed (thus implicitly being substantive). It was also demonstrated that the mandatory vs. voluntary distinction is not particularly useful, especially in studies focusing on the year-to-year change, since it was found that total CSD follows almost identical change patterns with the voluntary one, owing to the small proportion of mandatory CSD.

The discussion on the findings regarding context (and sampling) units concluded that organisations appear to adopt a ‘pecking order’ disclosure approach with regard to their reporting media. Thus, organisations report their substantive positive CSR news via the AR to specific groups (i.e. the most ‘critical stakeholders’), whilst disclosing their substantive negative CSR news in the more ‘ephemeral’ stand-alone reports, which potentially have smaller audience. Additionally, the organisations attempt to communicate with their (perhaps, less ‘critical’) groups via these ‘ephemeral’ documents in an increasingly symbolic way, confirming the literature suggesting that organisations employ different media for different purposes.

9.3.2 Theoretical findings

Following the discussion on the methodological findings, the theoretical findings can now be discussed. The findings from all cases provide some support for all propositions of the study, although as acknowledged in section 6.3, this support can only be tentative considering the nature of the collected evidence and the interpretive character of the study. The findings revealed that the organisations considerably increased their levels of total and H&S CSD (propositions 1 and 2) following the accident and are in agreement with the literature investigating reactions of specific companies to legitimacy threats. It was argued that the considerably higher increase in disclosure than the increases found by all other identified studies investigating legitimacy threats (section 4.4.5) could be attributed to the aviation industry’s wide public visibility.

It appears that following the threat, organisations increased their disclosure in the ARs to a greater extent than in the stand-alone reports, suggesting that they focused on ensuring they maintain communication with their most ‘critical’ stakeholders. Further, from the findings per theme of disclosure it could be inferred that organisations proportionately addressed a greater number of stakeholders, with H&S nevertheless being the theme with the highest proportional increase. When it was attempted to explain the differences in the absolute levels of disclosure, the country of origin appeared to be more suitable interpretive factor than the size.

It was additionally empirically demonstrated that organisations considerably increased both positive and negative disclosure following the accident (propositions 3 and 4). The increase in the negative disclosure was higher than the positive for both total and H&S CSD, in contrast to the majority of the literature. Although this could be partly interpreted as an organisational attempt to improve image by admitting guilt so as to create the impression of honesty, the interpretation that organisational attempts to reduce costs in the post-accident (and September 11th) period instead resulted in a neglect and deterioration of their CSRes impacts, was found more convincing.

Organisations also appear to have increased both their substantive and symbolic total disclosure following the accident. The increase in substantive total disclosure was higher than the symbolic in most cases, and could be explained as organisational attempts to substantively address the threats' (because of their possibly, in some cases, being compounded by September 11th) considerable magnitude. Both substantive and symbolic H&S disclosure also increased following the threat; however the increase in the symbolic disclosure was higher than the substantive in most cases, indicating that organisations, following the threat, were particularly interested in changing their constituents' perceptions of their relevant impacts and improving their threatened image.

In respect of the research questions, the qualitative analysis findings indicate that organisations mostly adopted strategic, externally driven positions regarding their CSRes, despite their proclaimed espousal of ethical principles. The pragmatic motivations primarily include satisfying stakeholders' needs (including shareholders, employees, customers, media and suppliers), competition on soft values, compliance with international trends and increasing regulation, and maintaining a positive image. Some strategic, internally driven arguments for CSRes, were also identified. The opportunistic motivations include influencing legislation, improving brand image and increasing shareholder value. In adopting more strategic approaches (particularly towards reporting their CSRes), the organisations seem to have been aided by the advice offered by the assurance providers of their stand-alone reports. The discussion on the

proactive vs. reactive distinction indicated that this is not particularly useful in investigating motivations for CSR. Finally, the findings from both the qualitative and quantitative analyses confirmed that CSR can be explained on the basis of a contractual relationship between organisations and society.

The findings, thus, provide support for the framework. Both the qualitative and the quantitative CA findings provide some support for social contract theory, the basic tenet of the framework. In addition, the findings support both pragmatist and opportunist variants, although the support for the normative variant was limited. With regard to the pragmatic variant, the findings support arguments for public pressure, institutional and traditional LT. Regarding the opportunistic variant, the findings lent support to decision usefulness theory, competitive advantage and legislation avoidance theories. Further the findings also supported image theory and the strategic variants of accountability and stakeholder theory. Based on the findings, it was suggested that there are three prime drivers for CSR: external pressures, opportunism and regulation. Drawing on the literature, the merits and limitations of each case were discussed.

9.4 Contributions

This study has made some significant contributions to the CSR literature, in respect of both theory and methods. As regards the theoretical contribution, the study added to the academic body of knowledge investigating motivations for CSR in several important areas by:

- Providing a model to synthesise some popular theoretical explanations for CSR
- Taking into consideration corporate attitudes towards CSRes when interpreting CSR practice
- Considering image theory as a motivation for disclosure and particularly relating it to LT
- Comprehensively examining corporate disclosure reactions to legitimacy threats

The study offers a framework to model the relationships, and synthesise most of the theoretical explanations for CSR, and has thus addressed a significant gap in the CSR literature, identified by a number of studies (Trotman and Bradley, 1981; Ullmann, 1985; Gray *et al.*, 1995a; O'Dwyer, 1999; Tilt, 2003; Parker, 2005). As discussed above (section 9.2), the framework incorporates a number of theoretical explanations for CSR, by primarily using social contract theory as a base and making the distinction among ethical, pragmatic, and opportunistic arguments. The empirical analysis (both quantitative and qualitative) has demonstrated the robustness of the framework (section 9.3.2).

The study also contributes to the literature by taking into consideration corporate attitudes towards CSRes when interpreting CSR practice (O'Dwyer, 1999). Considering that CSR is often perceived as a manifestation of CSRes (Gray *et al.*, 1996; O'Dwyer, 1999), "CSR[es] and CSR reporting cannot be understood in isolation of each other" (Adams, 2008, p.365). To this end, a literature review focusing on the development of CSRes was conducted (chapter 2) and the four distinct corporate positions regarding CSRes identified also informed the development and provided a 'dimension' for the framework (section 9.2). The consideration of the organisational attitudes towards CSRes, being one of the research questions of the study, was also found particularly useful in the qualitative analysis, as the discussion of the findings demonstrates (chapters 7, 8, see also summary in section 9.3.2)

This study additionally extends the existing literature on legitimacy theory by demonstrating that it could incorporate image arguments. A number of studies have suggested that there are many gaps in LT (Hybels, 1995; Suchman, 1995; Deegan, 2002, 2007) and that corporate reputation management should be considered as a motivation for disclosure (Unerman, 2008). It has also recently been suggested that explanations focusing on Image Theory could be compatible with LT interpretations (Bebbington *et al.*, 2008a,b). As discussed above (section 9.2), image arguments are central to the development of the framework. That is, it was contended that pragmatists and opportunists will use CSR to portray to their external constituents that they act according

to expectations to maintain legitimacy, or they even exceed these expectations to extend legitimacy, respectively. Empirical evidence, particularly from the qualitative analysis (section 8.3.1), confirmed these suggestions for both the pragmatist and opportunist variants.

The study has also given new insights into the research enquiries of corporate disclosure reactions to legitimacy threats. There was an absence of a study considering sources other than ARs, and utilising analysis approaches other than quantitative CA, to investigate these reactions (only Cho, 2009, has employed stand-alone reports, but his collected qualitative evidence did not relate to both prior to, and following, the accident). There was also limited evidence from investigating accidents pertaining to the aviation industry. Indeed, the comparisons of the qualitative analysis evidence prior to, and following, the accident have given insights into the corporate motivations for disclosure. And, as the findings from the quantitative analysis demonstrate (section 8.2.1), a considerably higher increase in disclosure than that typically found in the literature was identified, which could be attributed to the industry's wide public visibility.

In addition to the theoretical contributions, the study has also made a number of methodological contributions to the CSR literature by:

- Conducting a systematic review on the employment of CA in the CSR literature
- Revisiting and developing a CA measuring approach
- Offering alternative approaches to defining the CA units

There seems to be a lack of studies offering systematic reviews of the CSR literature, despite the significant contributions that such studies carry to the validity of the inferences (Egger *et al.*, 2001; Glasziou *et al.*, 2001; Jefferson *et al.*, 2003; Price *et al.*, 2004). The review comprehensively discussed a number of CSR debates pertaining to CA (chapter 5), including the frequently-cited one regarding the measurement units (where Milne and Adler, 1999, suggest different measurement units from Unerman,

2000) and also offered some *ex post* empirical evidence to further support these arguments (chapter 6). By considering the findings of both the *ex ante* review and the *ex post* evidence, the study made a number of recommendations regarding: the sampling units (suggesting that the exclusive focus on ARs significantly limits the validity of the findings); the recording units (suggesting that, in theory, the page size approach is superior to the alternatives, but that in practice more than one recording unit should be considered); and the context units (empirically demonstrating the interplay between validity and reliability as regards the CA distinctions), as section 9.3.1 discusses in more detail.

In addition to revisiting the debate on the measurement units and recommending that the page size approach (particularly as employed by Hackston and Milne, 1996) is superior, the study also contributed to the CSR literature by further developing the page size approach. Hackston and Milne's (1996) method only considered narrative information. However, as empirical evidence indicates, pictorial information may account for as much as half of the total CSR (section 9.3.1). Thus, the study refined Hackston and Milne's method by utilising plastic and electronic page size grids and increasing the measurement detail. This allowed for additional measurement units to be considered (sentences and proportions of AR) and thus addressed the concerns expressed in section 9.3.1 over the potential threats to validity by exclusively considering single recording units. As the findings in section 6.5.1 demonstrate, the measuring approach developed was considerably reliable in respect of both stability and reproducibility.

Finally, the study also offered alternative approaches to defining the CA units (i.e. context units). Few studies in the CSR literature offer alternative approaches to defining the CA units and largely employ normatively-rooted CA distinctions, despite the expressed need for such alternative studies (Erusalimsky *et al.*, 2006). The study reviewed the employment of a number of such distinctions in the CSR literature; originally employing three context distinctions (mandatory vs. voluntary; substantive vs. symbolic; and positive vs. negative); but then customised the protocols and decision rules of the substantive vs. symbolic approach to the study's needs; and also made a

number of observations *ex post* to the analysis as regards their employment. This refers to both the utility (e.g. mandatory vs. voluntary distinction not being particularly useful) and the interrelationships (e.g. negative disclosure being highly correlated with substantive and the symbolic being highly correlated with positive) nature of these approaches (section 9.3.1).

9.5 Limitations

Since the research has engaged with both theory and methods' development, some limitations in respect of both areas can be identified. These can be largely considered and presented as concerning the validity of the inferences made and the generalisability of the research findings.

In respect of the validity of inferences, the study cannot make any claims to have analysed all the CSR content of the five organisations, as it concentrated on CSR through Annual and standalone reports. However, it is almost impossible to identify all corporate communications that could possibly contain CSR information (O'Dwyer, 1999; Guthrie *et al.*, 2004) and it was thus impossible to identify all the CSR activities of the organisations surveyed. Consequently, a limit was set to the range of documents included so as to avoid being overwhelmed by the number of documents and ensure completeness of data (Unerman, 2000). Thus, Annual and standalone reports were considered, as these are (most often) publicly available and it was expected would contain the bulk of the disclosed CSR information. Nevertheless, the study still considered a wider array of sources than most of the literature investigating corporate disclosure reactions to legitimacy threats, which exclusively employs ARs, and thus allowed the research questions to be answered.

Despite focusing on the Annual and standalone reports, data unavailability was still an issue of concern. All standalone reports that AF published at the time, and SIA's first environmental report, were not considered as they proved to be unavailable and the findings (particularly from the quantitative CA) are thus subject to this limitation.

The lack of comparative data, to use as a form of control in order to exclude the possibility that the identified increase in the disclosure was a result of, e.g. a general upward trend in the industry at the time, is also a limitation. Nevertheless, the extended (five-year) span of the analysis increased the comparability of the year-to-year findings and addresses to some extent this concern. Given the considerable increases identified following the accident for most organisations, it could be argued that it is unlikely that these trends would not exceed the industry's average.

The validity of the inferences made from the qualitative analysis may also be a limitation. Despite the 'pattern matching' activity being primarily intended to identify evidence pertaining to the four identified OL variants, and the organisational motivations behind CSR, most of the collected evidence concerned motivations behind CSRes. Although such motivations have also given insights into the motivations behind CSR, this potential limitation is acknowledged.

Finally, it should be acknowledged that, considering that a case study approach (even with multiple cases) was employed, this does not facilitate generalisation to a larger universe of organisations employing CSR. This particularly refers to the theoretical findings, considering that the methodological findings were firstly generated based on a systematic review of the CSR literature and then based on a comprehensive number of Annual and standalone reports analysed. Nevertheless, the theoretical aim of the study has been to 'introduce a framework to model the relationships and synthesise most of the theoretical explanations for CSR' and thus to generalise a particular set of results to a broader theory instead of a larger universe. For that purpose, the case study approach is considered by the literature to be superior to any other research design. Indeed, the multiple case study approach was very useful, since it allowed for an in-depth study of the cases and, as a consequence, for a comprehensive explanation of the 'causal links' in the investigated phenomena to be generated and for the research questions to be answered.

The limitations identified in this section indicate a need for further enquiry, as is suggested next.

9.6 Suggestions for further research

Following discussion of the findings and limitations, a number of avenues for future research could be identified. Considering the issue of generalisation to a wider population issue, the theoretical propositions, and the findings from the analysis, could be used as the basis for the development of a survey or a structured/semi-structured interview questionnaire, investigating managerial attitudes towards CSRes and CSR. It could additionally be useful to investigate the applicability of the framework in ‘non-threat’ settings, to particularly look into influences on the disclosure from pragmatically- or opportunistically-motivated organisations, and thereby identify ‘principal’ motivations.

Since, in this study, an attempt to generate a framework to synthesise theoretical explanations of CSR was made, the research took a broad scope. However, more focused research on specific aspects of the framework would also be of interest. This could investigate inter alia the relationship of ‘proactive’ arguments to PE; relationship between OL and systemic or individual legitimacy arguments; relationships among the normative arguments; and the relationship between motivations for CSR and CSRes.

Future studies investigating corporate disclosure reactions to legitimacy threats could benefit by considering the perspectives of stakeholders. Thus, an approximation to ‘community concern’ could be generated, quantified and related to the findings from the quantitative and qualitative CA. Such an approximation could also consider the extent of the (favourable or not) media coverage of the issues pertaining to the organisations under scrutiny for that period, such as the one developed by Deegan *et al.* (2002).

Three fruitful avenues for further research on CA may also be identified. Firstly, a review focusing on the qualitative approaches subscribing to a broader CA view,

including the distinct systematic ones, such as grounded theory and discourse analysis, could assist in clarifying their relationships and their potential contribution to CSR. Secondly, a review of contemporary CA studies in other fields and consideration of their potential applicability to CSR practice, as in e.g. the cases of Lasswell *et al.* (1949), Stone *et al.* (1966) and Gerbner *et al.* (1969), could save the field from reinventing wheels. Thirdly, a similar review of computer software (such as NUD*IST, as presented by Beattie *et al.*, 2004) applications in CA would be also of particular interest.

9.7 Summary

This has been the concluding chapter of the thesis. It, firstly, revisited the principal aims and subsidiary research questions of the study and summarised the theoretical and methodological approach. Then the findings of the study in respect of theory and methodology were considered. The next section discussed the theoretical and methodological contributions made to the CSR literature. Finally, some limitations and boundaries of the research were presented in respect of their validity and generalisability and potentially additional fruitful areas for investigation were highlighted.

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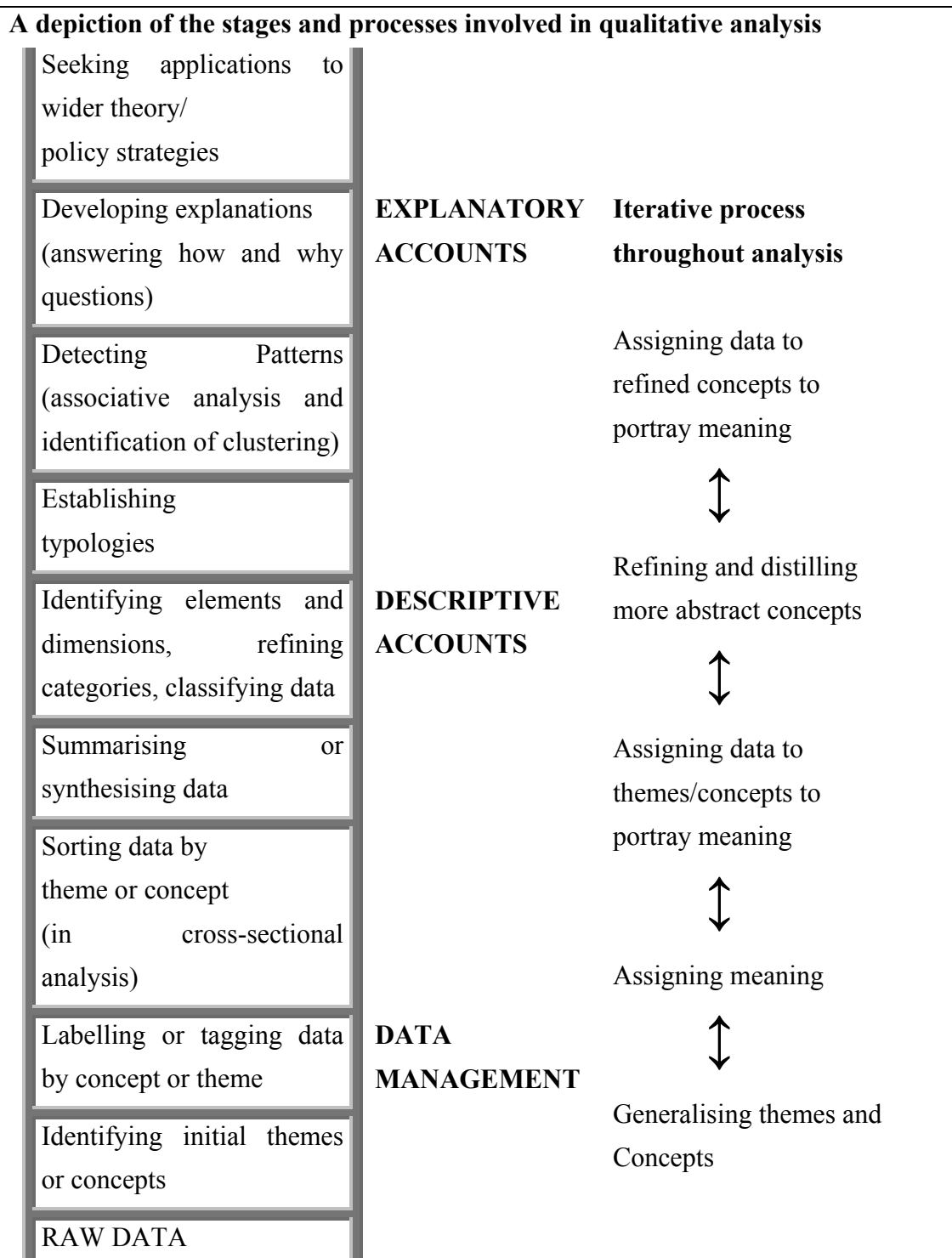
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APPENDICES

Appendix A. The analytic hierarchy

(adapted from Ritchie and Lewis, 2003, p. 212)



Appendix B. The categories and decision rules used for CA (theme of disclosure)

A. Health and Safety

1. Health and safety at the workplace

- Any reference/compliance to health and safety law
- Information to employees, training on health and safety
- Accidents, with reference to the employees
- Receiving safety awards
- Conducting research to improve work safety
- Standard injury, lost day and absentee rates and number of work-related fatalities
- Description of policies or programmes on specific diseases (e.g. HIV/AIDS)
- Providing information on industrial action related to health and safety
- Incidents of air rage (0.5)
- Reference to aircraft age (0.5), when not linked with noise (3) or emissions (14) or energy (15)

2. Health and safety at the marketplace

- Health and safety of the product
- Accidents, with reference to the customers
- Description of policy for preserving customer health and safety during use of products and services
- Extent to which these policies are visibly stated and applied
- Monitoring systems and results of monitoring of these policies
- Incidents of air rage (0.5)
- Reference to aircraft age (0.5), when not linked with noise (3) or emissions (14) or energy (15)

3. Health and safety of community

- Description of policies to manage health and safety impacts on communities affected by organisational activities
- Extent to which these policies are visibly stated and applied
- Monitoring systems and results of monitoring these policies
- Disclosures regarding noise: infringements, fines, plane night movements
- Reference to aircraft age when linked with noise
- Reference to Continuous Descent Approach (CDA) and departures on track

4. Health and safety – other

- Other general issues regarding health and safety

B. Marketplace

5. Consumers

- Consumer complaints and related awards
- Congestion, when linked with customer delays but not additional fuel (15)
- Specific customer relations (over and beyond ‘our duty to the customer’)
- Provision for disabled, aged, etc. customers
- Provision for difficult to reach customers
- Training employees in customer service (0.5)
- Consumer privacy policy, procedures/management systems and compliance mechanisms
- Expansions in the route network (but NOT information on their first class offers or dietary offers/ other ‘new services’)
- Consultation with consumers (frequency, information generated, use of information)

6. Creditors

- Specific creditor relations
- Policies with regards to creditors
- Consultation with creditors (frequency, information generated, use of information)

C. Workplace

7. Employee and pension data

- Statutory average numbers employed by category and wages (including pension and social security costs) and geographic area
- Statutory numerical analysis of employees > £30,000
- Statutory disclosures of directors' emoluments (but not their bios)
- Thanks to employees
- Donations ditto by/ through employees (0.5)
- Statutory particulars for commitments for pensions, whether or not provided
- Pensions and benefits beyond coverage of statutory material
- Any other employee information, not covered in the below categories, including reference to social audits

8. Equal opportunities and employee development – training

- Training above health and safety
- Training employees in customer service (0.5)
- Training employees in environmental issues (0.5)
- Average hours of training per year per employee by category of employee
- General employee development
- Description of equal opportunity policies or programmes (racial, sexual equality, parental leave, etc.) and policies on harassment and bullying
- Statutory reference to the employment of disabled persons (including retraining)

- Monitoring systems to ensure compliance – results of monitoring
- Indicators of diversity as culturally appropriate (e.g. female/male ratio in senior management and corporate governance bodies)
- Policies/references to bribery and corruption in the marketplace

9. Human rights

- Policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including immigration/ asylum seekers' cases
- Consideration of human rights within the supply chain and on selection of suppliers/ contractors, excluding collective bargaining/ references to industrial relations
- Description of policy excluding child labour as defined by the ILO Convention 138
- Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied
- Any reference to policies regarding prevention of sexual or other harassment
- Monitoring systems of the above policies and results of monitoring

10. Consultation with employees

- Statutory action with respect to informing employees on matters of concern, consulting employees or representatives, encouraging (and engaging in) employee participation
- Statutory increasing employee financial and economic awareness
- Reference to industrial relations, strike action or talks with unions
- Employee opinion surveys and individual advice and counselling

11. Share ownership

- Statutory encouragement and participation of employees in share schemes, profit sharing, ESOPs, where employees does not mean directors
- Schemes/ reference must be to employees (exclude if reference is to executive or directors only)

- Loans for this purpose but not directors
- SAYE options

D. Community

12. Community involvement

- Any reference to community and/ or social involvement outside the labour force
- Sponsoring/ funding schools, arts, sports, medical research, development of local communities/ industries and activities
- Particular reference to bribery and corruption in communities
- Consultation with community (frequency, information generated, use of information)
- Excluding charities

13. Charities

- Statutory donations in monetary form or in kind to registered charities within the Company Act
- Donations ditto by/ through employees (e.g. GAYE schemes) (0.5)
- Include statutory references and amounts of political donations (as they fall within the same Company Act requirement)

E. Environment

14. Environmental pollution

- Air, Water (including consumption), emissions, visual quality, fuel jettison (0.5) and pollution plus any attempt to identify, improve or prevent
- Environmental audits and charges pertaining to emissions, pollution
- Conservation of natural resources, waste and recycling including improvements in products

- Statements indicating that the company's operations are in compliance with environmental laws and regulations; recognition of the need to comply with society standards and regulations
- Involvements with schemes (E.g. Business in the Environment, Business in Community, ACBE, etc.)
- Except in so far as its part of the business (e.g. waste disposal or environmental technology)
- Environmental Awards won or external praise for environmental work
- Reference to aircraft age when linked to emissions

15. Energy

- Energy saving and conservation
- Fuel (i.e. oil, gas) and electricity consumption, fuel jettison (0.5) and charges pertaining to energy
- Use/ development/ exploration of new sources, efficiency, insulation, etc.
- Except in so far as it is part of the business (e.g. oil exploration companies)
- Utilising waste materials for energy production
- Disclosing energy savings resulting from product recycling
- Discussing the company's efforts to reduce energy consumption
- Disclosing increased energy efficiency of products
- Receiving awards for energy conservation programmes
- Disclosing the company's energy policies
- Reference to aircraft age when linked to energy savings
- Reference to congestion when linked to additional fuel

16. Aesthetics

- Designing facilities harmonious with the environment
- Contributions in the terms of case or art/sculptures to beautify the environment
- Restoring historical buildings/structures

- General environmental activities linked with tourism

17. Environment – other

- Undertaking environmental impact studies to monitor the company's impact on the environment, conducting reviews of performance, employing specialist consultants
- Wildlife conservation, environmental newsletters and biodiversity
- Training employees in environmental issues (0.5)

F. Other

18. Value added statement

- Any reference to the creation and distribution of value added
- Any statement headed valued added or added value
- Any statement with 'distribution' to employees and state (not including shareholders)

19. Other CSR information

- E.g. general CSR objectives and mission statements; ethics; political statements; value of company to nation, economy; assurance statements; general references to stakeholders and competitors and to sustainability

Appendix B (i). The checklist for code 5: Consumers

TYPE OF INFORMATION	INCLUSION/NOT
Air-fleet information:	
If related to customer service	No
If related to congestion	Yes
If related to emissions/env. impacts	Yes, codes 14, 17
If about renewals and not related to anything else	Yes, codes 1,2
If related to cost savings	No
If only showing the no/type of aircrafts, related to capacity, traffic	No
Alliances and other partnership information	To the extent this affects their network
Cabin factors	No
Civil aviation policies	To the extent they convey social or environmental impacts
Competition issues	No
Congestion	When linked with customer delays but not additional fuel (code 15) or if not linked to anything (0.5)
Customer complaints, related awards	Yes
Customer services surveys/indices	Yes
Distribution channels	No
EMU, introduction of Euro impacts not related to e.g. community events	No
Expansion (or not) strategies	When explicitly linked to new (or suspended) routes or fleet
Fuel info related to the prices	No
Infrastructure, general information	No

ISO certification of the activities	Yes
IT (WAP, internet booking etc.) info	No
Legal proceedings (other than competition)	Yes
Market-share information	No
New products/services	No
Offers (bonuses, miles points, first class, dietary)	No
Pictorial info on geographic position	No
Quality targets (e.g. punctuality, regularity)	Yes
Traffic trends	No
Training employees in customer service	(0.5)
Vision, objectives re customers	No

Appendix C. Classification of positive and negative CSD

Positive disclosures

1. Noise infringements: decreasing trends (0.5)
2. Noise fines: decreasing trends (0.5)
3. Fuel consumption: decreasing trends (0.5)
4. Emissions: decreasing trends (0.5)
5. Accidents: decreasing trends (0.5)
6. Continuous Descent Approach (DCA): increasing trends or maintaining trends or decreasing trends (but not 0%) or no trends (0.5) or 100% of flights (1.0)
7. Departures on Track: increasing trends or maintaining trends or decreasing trends (but not 0%) or no trends (0.5) or 100% of flights (1.0)
8. Decreasing trend refers to the last two years in comparison, even if the previous years in a table or a graph indicate an increasing trend
9. Recycling of materials
10. Decrease of average aircraft age
11. Usage of environmentally sensitive management techniques
12. Compliance with government environmental reports and standards
13. Pollution or waste control in the manufacturing process
14. Merits of the company's environmental position
15. Maintenance or implementation of a strategy to protect the environment
16. Rehabilitation of mining sites
17. Tree replanting schemes implemented
18. Positive outcomes for the firm in response to governmental inquiries or public concern regarding their environmental activities
19. Voluntary adoption of safe environmental practices
20. Introduction of environmental audits
21. Statement of company aim or mission to protect the environment
22. Energy-saving measures, but not solely in an efficiently context

23. Research into, or support of, environmentally safe products and practices
24. Usage of environmental safe products in manufacturing
25. Undertaking of environmental impact or assessment studies
26. Evidence of public support/approval of the company's environmental activities
27. Sponsor or recipient of environmental achievement awards
28. Company in harmony with the environment
29. Monitoring of the environment as part of the production process
30. Establishment of wildlife preservations areas
31. Improvements in environmental standards/facilities
32. Review of environmental performance equipment

Negative disclosures

1. Noise infringements: increasing or maintaining trends or absence of trends (1.0) or decreasing trends (0.5)
2. Noise fines: increasing or maintaining trends or absence of trends (1.0) or decreasing trends (0.5)
3. Fuel consumption: increasing or maintaining trends or absence of trends (1.0) or decreasing trends (0.5)
4. Emissions: increasing or maintaining trends or absence of trends (1.0) or decreasing trends (0.5)
5. Accidents: increasing or maintaining trends or absence of trends (1.0) or decreasing trends (0.5)
6. Continuous Descent Approach (DCA): Increasing trends (but not 100%) or maintaining trends or decreasing trends (but not 0%) or no trends (0.5) or reported absence (0% - 1.0)
7. Departures on track: Increasing trends (but not 100%) or maintaining trends or decreasing trends (but not 0%) or no trends (0.5) or reported absence (0% - 1.0)
8. Increasing or maintaining trend refers to the last two years in comparison, even if the previous years in a table or a graph indicate a decreasing trend
9. Company in conflict with the government view on its environmental activities

10. Admission of causing environmental, including health-related, problems for residents through the company's environmental activities
11. Increase of average aircraft age
12. Explicit admission of excessive pollutive emissions
13. Company encountering waste disposal problems
14. Government investigation into, and court action concerning, the company's environmental activities
15. Acknowledgment of detrimental effects of activities on the land
16. Admission of environmentally-based community or media sensitivity to the industry or firm
17. Non-compliance with regulations
18. Admission of past problems with the company's environmental activities

Appendix D. Classification of substantive and symbolic CSD

D(I): The substantive and symbolic strategies employed in the Savage et al. (2000) study

Substantive strategies

1. *Role performance.* This is perceived by Savage *et al.* as “the most obvious attempt at legitimization” (p. 48) and is where the organisation adapts its goals, methods or operation, and/or its output to conform to the performance expectations of the members of society on whom it depends for critical resources (Dowling & Pfeffer, 1975). These organisations would thus be expected to disclose more frequently quantitative and also at times negative CSD.
2. *Coercive isomorphism.* This is the basic tenet of institutional theory. Organisations employ substantive legitimization to become isomorphic with their cultural environment, by employing substantive strategies or by shifting from symbolic strategies to substantive over time.
3. *Altering socially institutionalised practices.* Organisations could attempt, through communication, to alter the societal definition of legitimacy, so that the amended definition reflects the organisation’s activities (Lindblom, 1994): the most difficult strategy to successfully implement (Savage *et al.*, 2000).

Symbolic strategies

4. *Espousing socially acceptable goals.* Organisations may do so while pursuing less acceptable ones. They may e.g. disclose ethical policies but fail to implement procedure to monitor compliance.
5. *Denial and Concealment.* Organisations may do so for activities that may undermine legitimacy (see e.g. Sutton and Calahan, 1987).
6. *Identification with symbols, values or institutions.* The organisation could attempt to become identified with symbols, values or institutions with a strong

established base of social legitimacy (Dowling and Pfeffer, 1975; Lindblom, 1994).

7. *Offering accounts.* Organisations may offer explanations, including excuses and justifications or putting the blame to someone else (Paterson and Woodward, 2006). This is still an attempt to shape perceptions of the organisation (O'Donovan, 2002).
8. *Offering apologies.* By apologising, organisations may show some expression of remorse for a negative event (Savage *et al.*, 2000).
9. *Ceremonial conformity.* Highly visible and salient practices that are consistent with social expectations may be adopted, while leaving the formal structure of the organisation intact. E.g. organisations may form a task force to study the environmental impacts of activities; this may provide the appearance of action without the substance (*ibid.*).
10. *Admission of guilt.* Organisations may acknowledge partial responsibility to create the impression and/or reality of honesty. Should be followed by increased negative CSD.
11. *Misrepresentation or open to misinterpretation.* The organisation may intentionally or unintentionally give a false impression or account or supply ambiguous information that could be misleading or open to misinterpretation (*ibid.*)
12. *Avoiding, trivialising or skirting around the issue.* The organisation may offer a partial explanation, trivialise or fail to directly address an issue. The information may not be clearly conveyed or may simply be implied (*ibid.*, O'Donovan, 2002).

D(II): The substantive and symbolic strategies employed in this study

Substantive strategies

1. *Role performance* [act as expected]: as above Savage *et al.* strategy 1
2. *Coercive isomorphism* [act as everybody does]: as above strategy 2
3. *Altering socially institutionalised practices* [change what is expected]: as above strategy 3]

Symbolic strategies [show acting as expected]

4. *Espousing goals and symbols* [change (improve) overall image]: as above strategy 4, but including above strategies 6 and 9
5. *Denial, concealment/avoidance and trivialisation of potential detrimental issues* [downgrade detrimental activities]: as above strategies 5, 11 and 12
6. *Offering accounts and apologies* [downgrade organisational role towards detrimental activities]: as above strategies 7, 8 and 10.

D(III): The substantive and symbolic strategies employed in this study: some examples

Substantive strategies

1. *Role performance* [Act as expected]. This mostly includes quantitative CSD and factual information, such as companies supporting diversity initiatives (BA, 2003Sup, p. 22), receiving awards, conducting surveys. E.g. “Environment Newsletter-distributed to some 300 environmental champions” (BA, 2000SE, p. 8). “Information and training: all managers and key staff within SAS are given environmental training, since environmental competency is one of the cornerstones of the company’s basic training and expertise development. SAS is developing its own web-based environmental training program that will be launched on the intranet during 2001. In time, all employees will participate, but the short-term goal is for 15% of the personnel to have completed the program by the end of 2001” (SAS, 2000ER, p. 17).
2. *Coercive isomorphism* [act as everybody does]. This is the basic tenet of institutional theory. Organisations employ substantive legitimation to become isomorphic with their cultural environment, by employing substantive strategies or by shifting from symbolic strategies to substantive over time. This strategy however is quite difficult to detect, particularly when examining Annual Reports of a company *per se*. Although 6 companies from the same industry were examined, and a number of similarities in reporting were detected (e.g. on the way they were asking from their employees to make sacrifices following Sep 11th, as in SAS: “In my many meetings with SAS employees I have felt that most of them have the motivation to make this happen. But change will require concessions and sacrifices and we will be forced to abandon many deep-rooted routines in order to find better working methods” [2001AR, p. 5], also similar to BA, SIA), it was decided to avoid applying this strategy to increase objectivity of the results.
3. *Altering socially institutionalised practices* [Change what is expected]. Organisations could attempt, through communication, to alter the societal

definition of legitimacy, so that the amended definition reflects the organisation's activities (Lindblom, 1994). This is the most difficult strategy for organisations to implement (Savage *et al.*, 2000) and is thus, similarly to coercive isomorphism, a quite difficult one to detect. Organisations at times question and offer alternatives for existing legislation that financially worsen them off, as in SAS (2002AR, p.5): "Although security at airports is important, there is also a cost dimension to consider. Unfortunately, the signals are pointing to a development where aviation is being singled out with unfair policies. What we are protesting against, of course, is not the high levels of security, but the fact that the costs are entirely being passed on to the industry, even on to passengers".

Symbolic strategies [show acting as expected]

4. *Espousing goals and symbols* [change (improve) overall image]. Neither the organisational performance nor the societal expectations change. Instead, the corporations attempt to associate themselves with symbols having high legitimate status and ultimately improve their image. This would mostly include pictorial (if not e.g. charts) and other non-factual information, as in BA (2003Sup, p. 22): "We recognise that it is important to seek the views of our own people", or in AA (2001SE, p. 3): "Corporate Environmental's role is to assist all officers, stations, departments, and employees in achieving and promoting environmental compliance and sustainability. Corporate Environmental is committed to supporting the above responsibilities and processes".
5. *Denial, concealment/avoidance and trivialisation of potential detrimental issues* [downgrade detrimental activities]. Examples may be "Climate change is undoubtedly one of the major global issues of our time and, while aviation's contribution is small, it is important that we work constructively with other groups to resolve uncertainties and to develop mechanisms which will allow aviation to continue to play its essential role in world communication systems" (BA, 2000SE, p.2), or "Although aviation's share of global carbon dioxide emissions is only 3%, it is still attracting considerable attention" (SAS, 2002AR, p.109), or "Generally, however, the Group's most significant environmental

impact is the consumption of non-renewable energy, primarily fossil fuels. Their combustion increases atmospheric carbon dioxide levels, assumed to contribute to global climate change” (SAS, 2003AR, p.99), or “Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations...AMR’s alleged volumetric contributions at these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity” (AA, 2001AR, p.10).

6. *Offering accounts and apologies* [downgrade organisational role towards detrimental activities]. For example, “In setting out to include social issues in this year’s report, we recognise that this area is at an earlier stage of development than our environmental reporting. This report is designed to identify areas for improvement and to acknowledge successes. In the social area in particular it is not comprehensive [admission of inconclusiveness]” (BA, 2000SE, p.8), or “Despite the fact that SAS Airline has modernised its fleet in recent years, constantly investing in aircraft with the best environmental performance, with fuel efficiency thereby being the prime criterion for choosing aircrafts and engines, SAS Airline has higher fuel consumption than its competitors [admission of guilt]. This does not mean the SAS Airline is a worse environmental performer than its competitors, but reflects the fact that SAS’s route pattern differs from theirs [providing explanations]” (SAS, 2001AR, p.109). Or “Air France’s punctuality rate was four points less than the average of AEA member airlines [admission of underperformance]. This discrepancy was largely due to causes beyond Air France’s control – air traffic control, saturated airport facilities, security checks, customs, etc. accounting for 52% of delays [putting the blame to somebody else]. By summer 2000, Air France has set itself the target of regaining 100,000 lost minutes per month, or 6 minutes for each delayed flight, with the stated aim of being in the top three AEA airlines in terms of punctuality [offering assurances/ espousing socially acceptable goals]” (Air France, 1999Ref, pp. 22-23).

Appendix E. CSR required by legislation and professional guidance in the UK

AREA OF DISCLOSURE	INFORMATION TO BE DISCLOSED	RELEVANT LEGISLATION
(a)	(b)	(c)
HEALTH AND SAFETY	Particulars of significant changes in the fixed assets and important events affecting the company which have occurred in or since the end of the financial year [to the extent that these events and changes are related to CSR] (Directors' Report)	Companies Act 1967 (Part I, Sect. 16, §1); Companies Act 1985 (Sch. 7, Part I, §1,2,6)
	Arrangements for securing the health and safety at work of employees and others in connection with the activities at work (over 250 employees, Directors' Report)	Companies Act 1985 (Sch. 7, Part IV, §10), not activated (<i>Gray et al.</i> , 1995b)
WORKPLACE	Aggregate emoluments and other benefits of chairman, current and past directors (Notes to the Accounts)	Companies Act 1967 (Part I, Sect. 6, §1-7); Companies Act 1985 (Sch. 5, Part V, §22-34)
	Particulars for commitments for pensions, whether or not provided for (Notes to the Accounts)	Companies Act 1981 (Sch. 1, §54); Companies Act 1985 (Sch. 4, §50)
	Average numbers employed by category and wages (CA 1967 – Directors' Report) and social security costs (CA 1985 - Information supplementing P&L Account) and by geographic area (DoT/OECD, 1976 – Notes to the Accounts)	DoT/OECD Guideline, 1976; Companies Act 1967 (Part I, Sect. 18, §1-7); Companies Act 1985 (Sch. 4, Part III, §56, 94; Sch. 10, §5-8)
	Numerical analysis of employees with emoluments exceeding £10,000 (CA 1967) or £30, 000 (CA 1985, Notes to the Accounts)	Companies Act 1967 (Part I, Sect. 8, §1-5); Companies Act 1985 (Sch. 5, Part VI, §35-37)

(a)	(b)	(c)
	Reference to policies for full and fair consideration to applications for employment by disabled and training, career development and promotion of disabled employees (over 250 employees, Directors' Report)	Statutory Instrument 1980/1160; Companies Act 1985 (Sch. 7, Part III, §9)
	Action to provide employees with information on matters of concern to them as employees (over 250 employees, Directors' Report)	Employment Act 1982; Companies Act 1985 (Sch. 7, Part V, §11)
	Employees' or representatives' consultation in making decisions which affect their interests (over 250 employees, Directors' Report)	Employment Act 1982; Companies Act 1985 (Sch. 7, Part V, §11)
	Encouragement of the involvement of employees in the company's performance through an employee's share scheme or other means (over 250 employees, Directors' report)	Employment Act 1982; Companies Act 1985 (Sch. 7, Part V, §11)
	Employee awareness of financial and economic factors affecting the performance of the company (over 250 employees, Directors Report)	Employment Act 1982; Companies Act 1985 (Sch. 7, Part V, §11)
	Statement of publicly available report submitted to DoT regarding employment practices in South Africa before official end of Apartheid (1990, Annual Report)	Code of Conduct 1978 (Cmnd 7233)
COMMUNITY	References and amounts of donations to charities exceeding £50 (CA 1967) or £200 (CA 1985, Directors' Report)	Companies Act 1967 (Part I, Sect. 19, §1-5); Companies Act 1985 (Sch. 7, Part I, §3-5)
	References and amounts of political donations exceeding £50 (CA 1967) or £200 (CA 1985, Directors' Report)	Companies Act 1967 (Part I, Sect. 19, §1-5); Companies Act 1985 (Sch. 7, Part I, §3-5)

NOTE: references to the Code of Conduct 1978, Statutory Instrument 1980 and Companies Act 1981 have been drawn from Gray *et al.* (1995b); references to the Employment Act 1982 from Day and Woodward (2004).

Appendix F. CA recording information

Reviewed reports per case study	Whole page size (cells)	Actual page size (cells)	Average sentences per page	Pages per Annual Report
(a)	(b)	(c)	(d)	
BA				
AR1999	25x35=875	21x30=630	28	72
AR2000	25x35=875	22x29=638	40	64
AR2001	25x35=875	22x28=616	43	64
AR2002	25x35=875	21x30=630	42	64
AR2003	25x35=875	21x30=630	44	68
ER1999	25x35=875	18x27=486	27	
SE2000	22.5x32=720	18x30=540	27	
SE2001	29x36=1,044	24x30=720	30	
SE2002	25x35=875	21x31=651	47	
SE2003	25x35=875	21x28=588	30	
SUP1999	25x35=875	23x30=690	-	
SUP2000	25x35=875	23x30=690	-	
SUP2001	25x35=875	23x30=690	-	
SUP2002	25x35=875	23x30=690	-	
SUP2003	25x35=875	23x30=690	-	
AF				
Ref1999	4x10=40	3x10=30	27	136
AR2000	4x10=40	4x7=28	22	43
Ref2000	4x10=40	3x9=27	27	98
AR2001	4x10=40	3x10=30	22	59
Ref2001	4x10=40	4x8=32	25	112
AR2002	4x10=40	3x7=21	17	70
Ref2002	4x10=40	3x7=21	23	123
AR2003	4x10=40	4x9=36	28	95
Ref2003	4x10=40	3x9=27	29	129
SIA				
AR1999	4x10=40	4x8=32	25	90
AR2000	25x35=875	21x28=588	25	92
AR2001	25x35=875	20x30=600	20	106
AR2002	25x35=875	20x30=600	25	116
AR2003	25x35=875	20x30=300	23	122

(a)	(b)	(c)	(d)	(e)
SAS				
AR1999	25x35=875	18x28=504	37	116
AR2000	25x35=875	18x28=504	40	109
AR2001	25x35=875	18x28=504	40	119
AR2002	25x35=875	20x29=580	46	122
AR2003	25x35=875	20x30=600	50	118
ER1999	25x35=875	18x28=504	35	
ER2000	25x35=875	18x28=504	35	
ER2001	27x20=540	18x28=504	35	
SUP2000	25x35=875	23x30=690	-	
AA				
AR1999	25x33=825	21x28=588	20	66
AR2000	25.5x33=841.5	23x29=667	24	42
AR2001	25.5x33=841.5	20x29=580	35	46
AR2002	25.5x33=841.5	22x28=616	34	105
AR2003	25.5x33=841.5	22x29=638	25	103
ER2001	25.5x33=841.5	20x28=560	19	

Appendix G. CA coding sheet

1.	H&S	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	WORKPLACE	SYMB1	SYMB2	SYMB3	OTHER	MAND	
2.	H&S	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	M/PLACE	SYMB1	SYMB2	SYMB3	OTHER	MAND	
3.	H&S	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	COMMUNITY	SYMB1	SYMB2	SYMB3	OTHER	MAND	
4.	H&S	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	OTHER	SYMB1	SYMB2	SYMB3	OTHER	MAND	
5.	M/PLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	CONSUMERS	SYMB1	SYMB2	SYMB3	OTHER	MAND	
6.	M/PLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	CREDITORS	SYMB1	SYMB2	SYMB3	OTHER	MAND	

7.	WORKPLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	EMPLOYEE/ PENSION DATA	SYMB1	SYMB2	SYMB3	OTHER	MAND	
8.	WORKPLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	EQUAL OPP & TRAINING	SYMB1	SYMB2	SYMB3	OTHER	MAND	
9.	WORKPLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	HUMAN RIGHTS	SYMB1	SYMB2	SYMB3	OTHER	MAND	
10.	WORKPLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	CONS/TION	SYMB1	SYMB2	SYMB3	OTHER	MAND	
11.	WORKPLACE	POS	NEG	NEUTR	SUB1	SUB2	SUB3
							VOL
	SHARE OWNERSHIP	SYMB1	SYMB2	SYMB3	OTHER	MAND	

12. COMMUNITY COMMUNITY INVOLVMENT	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
13. COMMUNITY CHARITIES	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
14. ENVIRONMNT ENV/NTAL POLLUTION	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
15. ENVIRONMNT ENERGY	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	

16. ENVIRONMNT AESTHETICS	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
17. ENVIRONMNT OTHER	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
18. OTHER VAS	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	
19. OTHER OTHER CSR INFO.	POS	NEG	NEUTR	SUB1	SUB2	SUB3
						VOL
	SYMB1	SYMB2	SYMB3	OTHER	MAND	

Appendix H Reliability (stability and reproducibility) tests

Hi) Stability

Total CSD

Pearson Correlation

		Total1	Total2
Total1	Pearson Correlation	1	.995(**)
	Sig. (2-tailed)		.000
	N	208	208
Total2	Pearson Correlation	.995(**)	1
	Sig. (2-tailed)	.000	
	N	520	520

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

Cronbach's Alpha

Cronbach's Alpha	N of Items
.997	2

Theme of disclosure

Pearson Correlation

		Theme1	Theme2
Theme1	Pearson Correlation	1	.997(**)
	Sig. (2-tailed)		.000
	N	52	52
Theme2	Pearson Correlation	.997(**)	1
	Sig. (2-tailed)	.000	
	N	156	156

Cronbach's Alpha

Cronbach's Alpha	N of Items
.998	2

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

Positive vs. Negative disclosure

Pearson Correlation

		Pos1	Pos2
Pos1	Pearson Correlation	1	.993(**)
	Sig. (2-tailed)		.000
	N	52	52
Pos2	Pearson Correlation	.993(**)	1
	Sig. (2-tailed)	.000	
	N	156	156

Cronbach's Alpha

Cronbach's Alpha	N of Items
.997	2

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

Substantive vs. Symbolic disclosure

Pearson Correlation

		Sub1	Sub2
Sub1	Pearson Correlation	1	.989(**)
	Sig. (2-tailed)		.000
	N	52	52
Sub2	Pearson Correlation	.989(**)	1
	Sig. (2-tailed)	.000	
	N	156	156

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

Cronbach's Alpha

Cronbach's Alpha	N of Items
.994	2

Mandatory vs. Voluntary disclosure

Pearson Correlation

		Man1	Man2
Man1	Pearson Correlation	1	.998(**)
	Sig. (2-tailed)		.000
	N	52	52
Man2	Pearson Correlation	.998(**)	1
	Sig. (2-tailed)	.000	
	N	52	52

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

Cronbach's Alpha

Cronbach's Alpha	N of Items
.999	2

Hii) Reproducibility (inter-coder reliability)

Reliability tests for the 6 coders

Descriptives

File size	N Cases (rows)	N Coders (cols)	N Decisions
7592 bytes	584	6	3504

Average Pairwise Percent Agreement

Average pairwise percent agr.	Pairwise pct. agr. cols 1 & 6	Pairwise pct. agr. cols 1 & 5	Pairwise pct. agr. cols 1 & 4	Pairwise pct. agr. cols 1 & 3	Pairwise pct. agr. cols 1 & 2	Pairwise pct. agr. cols 2 & 6	Pairwise pct. agr. cols 2 & 5
96%	96.747%	97.603%	97.26%	96.062%	97.774%	94.692%	95.377%

Pairwise pct. agr. cols 2 & 4	Pairwise pct. agr. cols 2 & 3	Pairwise pct. agr. cols 3 & 6	Pairwise pct. agr. cols 3 & 5	Pairwise pct. agr. cols 3 & 4	Pairwise pct. agr. cols 4 & 6	Pairwise pct. agr. cols 4 & 5	Pairwise pct. agr. cols 5 & 6
98.801%	94.863%	93.322%	94.178%	95.719%	94.521%	95.205%	97.432%

Fleiss' Kappa

Fleiss' Kappa	Observed Agreement	Expected Agreement
0.941	0.96	0.317

Average Pairwise Cohen's Kappa (and Scott's Pi)

Average pairwise CK, SP	Pairwise CK, SP cols 1 & 6	Pairwise CK, SP cols 1 & 5	Pairwise CK, SP cols 1 & 4	Pairwise CK, SP cols 1 & 3	Pairwise CK, SP cols 1 & 2	Pairwise CK, SP cols 2 & 6	Pairwise CK, SP cols 2 & 5
0.941	0.953	0.965	0.96	0.942	0.968	0.923	0.933

Pairwise CK, SP cols 2 & 4	Pairwise CK, SP cols 2 & 3	Pairwise CK, SP cols 3 & 6	Pairwise CK, SP cols 3 & 5	Pairwise CK, SP cols 3 & 4	Pairwise CK, SP cols 4 & 6	Pairwise CK, SP cols 4 & 5	Pairwise CK, SP cols 5 & 6
0.983	0.925	0.902	0.914	0.937	0.92	0.93	0.962

Krippendorff's Alpha

Krippendorff's Alpha	N Decisions	Σc_{oc}^{***}	$\Sigma c_n(n_c - 1)^{***}$
0.941	3504	3362.8	3883292

Theme of disclosure

Descriptives

File size	N Cases (rows)	N Coders (cols)	N Decisions
1898 bytes	146	6	876

Average Pairwise Percent Agreement

Average pairwise percent agr.	Pairwise pct. agr. cols 1 & 6	Pairwise pct. agr. cols 1 & 5	Pairwise pct. agr. cols 1 & 4	Pairwise pct. agr. cols 1 & 3	Pairwise pct. agr. cols 1 & 2	Pairwise pct. agr. cols 2 & 6	Pairwise pct. agr. cols 2 & 5
98.4%	98.63%	100%	99.315%	97.26%	100%	98.63%	100%

Pairwise pct. agr. cols 2 & 4	Pairwise pct. agr. cols 2 & 3	Pairwise pct. agr. cols 3 & 6	Pairwise pct. agr. cols 3 & 5	Pairwise pct. agr. cols 3 & 4	Pairwise pct. agr. cols 4 & 6	Pairwise pct. agr. cols 4 & 5	Pairwise pct. agr. cols 5 & 6
99.315%	97.26%	95.89%	97.26%	96.575%	97.945%	99.315%	98.63%

Fleiss' Kappa

Fleiss' Kappa	Observed Agreement	Expected Agreement
0.979	0.984	0.246

Average Pairwise Cohen's Kappa (and Scott's Pi)

Average pairwise CK, SP	Pairwise CK, SP cols 1 & 6	Pairwise CK, SP cols 1 & 5	Pairwise CK, SP cols 1 & 4	Pairwise CK, SP cols 1 & 3	Pairwise CK, SP cols 1 & 2	Pairwise CK, SP cols 2 & 6	Pairwise CK, SP cols 2 & 5
0.979	0.982	1	0.991	0.964	1	0.982	1

Pairwise CK, SP cols 2 & 4	Pairwise CK, SP cols 2 & 3	Pairwise CK, SP cols 3 & 6	Pairwise CK, SP cols 3 & 5	Pairwise CK, SP cols 3 & 4	Pairwise CK, SP cols 4 & 6	Pairwise CK, SP cols 4 & 5	Pairwise CK, SP cols 5 & 6
0.991	0.964	0.945	0.964	0.955	0.973	0.991	0.982

Krippendorff's Alpha

Krippendorff's Alpha	N Decisions	Σc_{oc}^{***}	$\Sigma c_c(n_c - 1)^{***}$
0.979	876	862	188044

Positive vs. Negative disclosure

Descriptives

File size	N Cases (rows)	N Coders (cols)	N Decisions
1898 bytes	146	6	876

Average Pairwise Percent Agreement

Average pairwise percent agr.	Pairwise pct. agr. cols 1 & 6	Pairwise pct. agr. cols 1 & 5	Pairwise pct. agr. cols 1 & 4	Pairwise pct. agr. cols 1 & 3	Pairwise pct. agr. cols 1 & 2	Pairwise pct. agr. cols 2 & 6	Pairwise pct. agr. cols 2 & 5
94.6%	93.151%	95.205%	97.26%	96.575%	97.26%	90.411%	92.466%

Pairwise pct. agr. cols 2 & 4	Pairwise pct. agr. cols 2 & 3	Pairwise pct. agr. cols 3 & 6	Pairwise pct. agr. cols 3 & 5	Pairwise pct. agr. cols 3 & 4	Pairwise pct. agr. cols 4 & 6	Pairwise pct. agr. cols 4 & 5	Pairwise pct. agr. cols 5 & 6
100%	96.575%	90.411%	92.466%	96.575%	90.411%	92.466%	97.945%

Fleiss' Kappa

Fleiss' Kappa	Observed Agreement	Expected Agreement
0.84	0.946	0.662

Average Pairwise Cohen's Kappa (and Scott's Pi)

Average pairwise CK, SP	Pairwise CK (SP) cols 1 & 6	Pairwise CK (SP) cols 1 & 5	Pairwise CK (SP) cols 1 & 4	Pairwise CK (SP) cols 1 & 3	Pairwise CK (SP) cols 1 & 2	Pairwise CK (SP) cols 2 & 6	Pairwise CK (SP) cols 2 & 5
0.842	0.812(1)	0.863(2)	0.917	0.89	0.917	0.732	0.781(0.78)

Pairwise CK (SP) cols 2 & 4	Pairwise CK (SP) cols 2 & 3	Pairwise CK (SP) cols 3 & 6	Pairwise CK (SP) cols 3 & 5	Pairwise CK (SP) cols 3 & 4	Pairwise CK (SP) cols 4 & 6	Pairwise CK (SP) cols 4 & 5	Pairwise CK (SP) cols 5 & 6
1	0.888	0.719(7)	0.768(7)	0.888	0.732	0.781(0.78)	0.945

Krippendorff's Alpha

Krippendorff's Alpha	N Decisions	Σc_{occ}^{***}	$\Sigma n_c(n_c - 1)^{***}$
0.841	876	828.8	507500

Substantive vs. Symbolic disclosure

Descriptives

File size	N Cases (rows)	N Coders (cols)	N Decisions
1912 bytes	146	6	876

Average Pairwise Percent Agreement

Average pairwise percent agr.	Pairwise pct. agr. cols 1 & 6	Pairwise pct. agr. cols 1 & 5	Pairwise pct. agr. cols 1 & 4	Pairwise pct. agr. cols 1 & 3	Pairwise pct. agr. cols 1 & 2	Pairwise pct. agr. cols 2 & 6	Pairwise pct. agr. cols 2 & 5
91.8%	91.781%	89.041%	95.89%	86.301%	93.836%	97.26%	95.205%

Pairwise pct. agr. cols 2 & 4	Pairwise pct. agr. cols 2 & 3	Pairwise pct. agr. cols 3 & 6	Pairwise pct. agr. cols 3 & 5	Pairwise pct. agr. cols 3 & 4	Pairwise pct. agr. cols 4 & 6	Pairwise pct. agr. cols 4 & 5	Pairwise pct. agr. cols 5 & 6
92.466%	91.096%	89.726%	87.671%	90.411%	91.781%	89.041%	95.205%

Fleiss' Kappa

Fleiss' Kappa	Observed Agreement	Expected Agreement
0.738	0.918	0.687

Average Pairwise Cohen's Kappa (and Scott's Pi)

Average pairwise CK (and SP)	Pairwise CK (SP) cols 1 & 6	Pairwise CK (SP) cols 1 & 5	Pairwise CK (SP) cols 1 & 4	Pairwise CK (SP) cols 1 & 3	Pairwise CK (SP) cols 1 & 2	Pairwise CK (SP) cols 2 & 6	Pairwise CK (SP) cols 2 & 5
0.729(6)	0.771(0.77)	0.678(5)	0.889	0.564(53)	0.833(2)	0.916	0.843

Pairwise CK (SP) cols 2 & 4	Pairwise CK (SP) cols 2 & 3	Pairwise CK (SP) cols 3 & 6	Pairwise CK (SP) cols 3 & 5	Pairwise CK (SP) cols 3 & 4	Pairwise CK (SP) cols 4 & 6	Pairwise CK (SP) cols 4 & 5	Pairwise CK (SP) cols 5 & 6
0.778	0.676(2)	0.609(5)	0.486(2)	0.657(2)	0.75	0.644(3)	0.837(6)

Krippendorff's Alpha

Krippendorff's Alpha	N Decisions	Σc_{oc}^{***}	$\Sigma n_c(n_c - 1)^{***}$
0.738	876	804	525974

Mandatory vs. Voluntary disclosure

Descriptives

File size	N Cases (rows)	N Coders (cols)	N Decisions
1912 bytes	146	6	876

Average Pairwise Percent Agreement

Average pairwise percent agr.	Pairwise pct. agr. cols 1 & 6	Pairwise pct. agr. cols 1 & 5	Pairwise pct. agr. cols 1 & 4	Pairwise pct. agr. cols 1 & 3	Pairwise pct. agr. cols 1 & 2	Pairwise pct. agr. cols 2 & 6	Pairwise pct. agr. cols 2 & 5
99.1%	97.945%	100%	100%	99.315%	100%	97.945%	100%

Pairwise pct. agr. cols 2 & 4	Pairwise pct. agr. cols 2 & 3	Pairwise pct. agr. cols 3 & 6	Pairwise pct. agr. cols 3 & 5	Pairwise pct. agr. cols 3 & 4	Pairwise pct. agr. cols 4 & 6	Pairwise pct. agr. cols 4 & 5	Pairwise pct. agr. cols 5 & 6
100%	99.315%	97.26%	99.315%	99.315%	97.945%	100%	97.945%

Fleiss' Kappa

Fleiss' Kappa	Observed Agreement	Expected Agreement
0.966	0.991	0.728

Average Pairwise Cohen's Kappa (and Scott's Pi)

Average pairwise CK, SP	Pairwise CK (SP) cols 1 & 6	Pairwise CK (SP) cols 1 & 5	Pairwise CK (SP) cols 1 & 4	Pairwise CK (SP) cols 1 & 3	Pairwise CK (SP) cols 1 & 2	Pairwise CK (SP) cols 2 & 6	Pairwise CK (SP) cols 2 & 5
0.967	0.926	1	1	0.975	1	0.926	1

Pairwise CK (SP) cols 2 & 4	Pairwise CK (SP) cols 2 & 3	Pairwise CK (SP) cols 3 & 6	Pairwise CK (SP) cols 3 & 5	Pairwise CK (SP) cols 3 & 4	Pairwise CK (SP) cols 4 & 6	Pairwise CK (SP) cols 4 & 5	Pairwise CK (SP) cols 5 & 6
1	0.975	0.904(3)	0.975	0.975	0.926	1	0.926

Krippendorff's Alpha

Krippendorff's Alpha	N Decisions	$\Sigma_o o_{cc}^{***}$	$\Sigma_c n_c(n_c - 1)^{***}$
0.966	876	868	558044

Appendix I. Thematic analysis: an example from SAS

STAKEHOLDER CAPITALISM

SAS ER1999

Their environmental vision also shows rather ethics-focused:

p. 35: SAS's environmental vision: SAS will develop profitability in free competition, with optimal utilisation of resources and minimum environmental impact, in order to promote environmentally sustainable development of society. ('Sustainable development' means that when humanity satisfies its needs today, it does so without limiting the opportunities for future generations to satisfy theirs.) – *identical approach in SAS ER2000, p. 15, though rather than calling it 'environmental vision, they call it environmental policy.*

SAS AR2003

Some further references to endorsing sustainability:

p.95: In recent years the SAS Group has begun gradually to approach the concept of sustainable development in its organization. A sustainability policy adopted in 2002 is now being implemented in all operations, and in June 2003, the SAS Group joined the UN Global Compact, a corporate responsibility initiative led by UN Secretary General Kofi Annan. The SAS Group is thereby committed to act to promote the sustainable development of its business and to create a stable social and environmental foundation for all of the Group's activities.

PRAGMATISM

SAS ER2000

Again on legislation avoidance: apparently regulation is explicitly considered by SAS an environmentally related business risk: as they note, air, soil and water emissions and noise could lead to:

p. 29: business risks: more stringent emissions and noise regulations in the future; investments required to meet tighter emissions and noise regulations. *As they further down note, with regards to the environmentally related investments*, Business opportunities: SAS can get a competitive advantage by anticipating legal or tax-related requirements. *And with regards to the compliance with laws and regulations*: Business risks: violation of environmentally related laws and regulations that govern operations increases the risk for criticism from the market and media, as well as the risk for damage claims; Business opportunities: credible information about the company's ability to comply with laws and regulations enhances the market position and image.

And again on how the environmental activities contribute in a better image:

p. 28, 30: SAS's environmental undertakings enhance the company's environmental and overall images and, in a longer perspective, also its market value. The goal of this statistic is to illustrate to what extent SAS's environmental activities have enhanced SAS's image. Measurement of SAS's image incorporates seven sub-factors – high safety, professional, successful, customer-driven, active, environmentally aware and positive contribution to the Scandinavian image. Diagram 1 shows that the environmental image has outpaced SAS's overall image over time, indicating that SAS's environmental activities made a positive contribution to SAS's overall image... Measures to improve SAS's environmental image include both better environmental communication in this environmental report and distribution of additional environmental information through other channels such as the seat back pockets on the aircraft and the internet.

2 main comments from this: 1. Clearly safety and environmental awareness are two factors SAS considers as being critical to their image [note that safety goes first...]. 2. Any environmental communication, including the reports and info on the internet, is also perceived to positively contribute towards improving their image.

And a very clear statement by the chairman to prioritise financial competitiveness:

p.6: Over the past three years we have undertaken the most ambitious investment program in SAS's history...The new longhaul fleet of ten Airbus A330s and A340s will have a significantly higher capacity than our old Boeing 767 fleet. And since the new aircraft are more fuel-efficient, they will provide a 10-20% reduction in emissions per

seat and passenger kilometre. However, I want to underline that these investments have been made primarily to improve SAS's competitiveness and exploit the potential of this growing market. The environmental gains are an added, and very valuable, bonus that I believe will enhance our image and highlight our role in the Scandinavian tradition of conserving nature. – *kind of wondering if the Scandinavians are proud to read this...*

Also further down the President expands on this...

p.7: Air travel is a vital aspect of our infrastructure, today and in the future. It has become a means of transportation for everyone, not just business travellers and the wealthy. Liberalization and sharper competition, greater diversity and a wide range of alternatives have both threatened the airlines' profitability and created a growing need for profiling through soft values such as environmental, ethical and social accountability. **For SAS, it is urgent to pursue these soft values and set a good example.** For example, we are playing an active role in international and national organizations and forums to reduce environmental impact in the aviation industry... For me, environmental issues are a natural priority with enormous strategic importance for the future. - *And that says it all!*

SAS ER2001

A very carefully expressed view, that is seemingly ethical but tactfully also questioning their contribution to climate change. Also in line with Henderson's 'win-win' view of CSRes:

p.24: Everything concerning the climate issue is thus of key importance to SAS. True, the connection between greenhouse gas emissions and climate change is the subject of scientific debate, but SAS has chosen to follow a precautionary line by assuming that carbon dioxide emissions do have an impact on global climate. Since there is a direct correlation between reducing carbon dioxide emissions from aircraft engines and aircrafts fuel consumption, SAS's effort – for economic reasons – to keep fuel consumption low coincides with the environmental aim of minimizing carbon dioxide emissions.

One more explicit admission that CSR is a growing expectation:

pp. 24-26: [Heading: Demands and Expectations]

In pace with deregulation and economic globalization, there is a growing demand for major companies in particular to shoulder greater social responsibility. One argument is that among the world's 100 largest economies there are 51 corporations and 49 countries. Another argument is that it is primarily multinational corporations that are the winners from globalisation because they can benefit from the system and locate operations in countries or regions with cheap labour and favourable tax policies. At the same time, there is mistrust among a growing number of people as to the sincere willingness of business and industry to bear greater social responsibility. New national and international organisations have been founded that are highly critical of the globalised economy and multinational corporations

[do you believe that a) by accepting you are driven by these expectations, b) by admitting rather cynically, as in AR2000, p50, that you are only sponsoring community activities just to give your brand a human face, and c) by further explicitly stressing that you expect increased environmental performance to give you a competitive advantage (2000ER, p.6) you actually don't contribute in this mistrust??]

OPPORTUNISM

SAS AR2000

A rather cynical presentation of their sponsoring/community involvement programmes:

p.50: During the year SAS mainly supported cultural, sporting and 'good citizen' activities...SAS continues its cooperation with four Nordic opera houses and a number of museums. SAS was also one of the main sponsors of City of Culture Bergen 2000. The cooperation with Save the Children has been extended. These activities further strengthen SAS' position and gave the brand a human face.

SAS ER2001

Some more opportunistic signs:

p.118: Strategic target groups for SAS Airlines environmental communication include customers, suppliers, employees, shareholders, other financial actors, the general public, mass media and the authorities. SAS Airlines therefore participates in seminars and debates and holds lectures at universities and colleges. The motive for these activities is

the conviction that a well-developed environmental dimension in its brand maximises its commercial potential and provides the company with new opportunities for business development.

A clearer one:

p.149: SAS' environmental work has two overall objectives: Besides ensuring that the group's operations are in compliance with environmental laws and regulations, such activities should contribute to an efficient utilisation of resources. Environmental activities should also enhance the value of the SAS brand.

And a nice link of legislation avoidance with competitive advantage:

p.158: Well planned and proactive environmental activities reduce the risk of violating environmental regulations, which can lead to negative publicity as well as direct costs in the form of fines and damages claims. Offensive environmental activities also reduce the risk of being caught off guard by new and more stringent environmental requirements from the market or the authorities. SAS can gain a competitive advantage by anticipating legal or tax-related requirements.

SAS AR2003

And a bit more modest acknowledgment of a link between sustainable development and brand value:

p.20: Strong brands create preferences and loyalty, laying the groundwork for securing future revenue growth. Brand building is a corporate management tool and has high priority in the entire SAS Group...**Sustainable development enhances brand value.** Work on sustainability issues has an indirect impact on the value of the brand. For example, ongoing surveys have shown that green policies and practices are making a positive contribution to the development of Scandinavian Airlines' image and brand. How the Group handles sustainability issues will take on ever-greater importance for the evaluation and public perception of the SAS brand.

Appendix J. Findings

J(i): BA

Table 1 Total voluntary CSD per measurement unit and % of year to year change (negative figures in brackets)

			Pre-accident		Post-accident		
			Y ₋₂	Y ₋₁	Y ₁	Y ₂	Y ₃
Disclosure per measurement unit	Sentences		721	1,027	1,056	951	544
				42%	3%	(10%)	(43%)
	Pages	Narrative	26.54	36.83	33.78	20.61	16.27
				39%	(8%)	(39%)	(21%)
		Pictorial	34.05	25.12	32.81	26.42	11.64
				(26%)	31%	(20%)	(56%)
		Total	60.59	61.95	66.59	47.03	27.91
				2%	8%	(29%)	(41%)
	% of Annual Report		7.8%	4.3%	5.5%	5.7%	5.3%
				(45%)	30%	4%	(7%)

Table 2 H&S voluntary CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure per measurement unit	Sentences		97	134	202	161	140
				38%	51%	(20%)	(13%)
	Pages	Narrative	3.57	4.79	6.49	3.51	4.23
				34%	35%	(46%)	21%
		Pictorial	7.69	4.19	9.15	8.04	3.40
				(46%)	118%	(12%)	(58%)
		Total	11.26	8.98	15.64	11.55	7.63
				(20%)	74%	(26%)	(34%)
	% of Annual Report		1.5%	0.5%	0.9%	1.2%	1.6%
				(67%)	80%	33%	33%

Table 3 Source of voluntary CSD (in pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	5.64	2.76	3.53	3.62	3.63
		9%	4%	5%	8%	13%
	Sustainability Report	36.11	40.29	39.41	21.41	15.66
		60%	65%	59%	46%	56%
	Supplementary Data	18.84	18.90	23.65	22.00	8.62
		31%	31%	36%	46%	31%
	Total	60.59	61.95	66.59	47.03	27.91
		100%	100%	100%	100%	100%

Table 4 Source of voluntary CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	5.64	2.76	3.53	3.62	3.63
			(51%)	28%	3%	-
	Sustainability Report	36.11	40.29	39.41	21.41	15.66
			12%	(2%)	(46%)	(27%)
	Supplementary Data	18.84	18.90	23.65	22.00	8.62
			-	25%	(7%)	(61%)
	Total	60.59	61.95	66.59	47.03	27.91
			2%	8%	(29%)	(41%)

Table 5 Theme of voluntary CSD (pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	11.26	8.98	15.64	11.55	7.63
		19%	14%	24%	24%	27%
	Marketplace	6.35	8.91	8.77	6.90	1.19
		10%	14%	13%	15%	4%
	Workplace	4.72	6.53	6.94	4.56	4.23
		8%	11%	10%	10%	15%
	Community	1.36	4.56	4.63	2.85	2.19
		2%	7%	7%	6%	8%
	Environment	30.03	19.84	21.99	17.79	7.59
		50%	32%	33%	38%	27%
	Other	6.87	13.13	8.62	3.38	5.08
		11%	21%	13%	7%	18%
	Total	60.59	61.95	66.59	47.03	27.91
		100%	100%	100%	100%	100%

Table 6 Theme of CSD (pages) and year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	11.26	8.98	15.64	11.55	7.63
			(20%)	74%	(26%)	(34%)
	Marketplace	6.35	8.91	8.77	6.90	1.19
			40%	(2%)	(22%)	(83%)
	Workplace	4.72	6.53	6.94	4.56	4.23
			38%	6%	(34%)	(7%)
	Community	1.36	4.56	4.63	2.85	2.19
			235%	2%	(38%)	(23%)
	Environment	30.03	19.84	21.99	17.79	7.59
			(34%)	11%	(19%)	(57%)
	Other	6.87	13.13	8.62	3.38	5.08
			91%	(34%)	(61%)	50%
	Total	60.59	61.95	66.59	47.03	27.91
			2%	8%	(29%)	(41%)

Table 6 Positive vs. negative CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Positive	5.18	4.91	6.83	4.51	4.50
			(5%)	39%	(34%)	-
	Negative	3.36	3.14	6.61	6.19	2.40
			(7%)	111%	(6%)	(61%)
	Neutral	3.03	1.17	2.59	1.01	0.82
			(61%)	121%	(61%)	(19%)
Total disclosure	Positive	35.28	32.15	36.75	24.57	16.81
			(9%)	14%	(33%)	(32%)
	Negative	19.66	18.23	24.92	19.20	9.47
			(7%)	37%	(23%)	(51%)
	Neutral	7.52	13.34	7.19	5.50	4.41
			77%	(46%)	(24%)	(20%)
	Total	62.46	63.72	68.86	49.27	30.69
			2%	8%	(28%)	(38%)

Table 7 Substantive vs. symbolic CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Substantive	8.99	6.23	10.96	9.56	4.54
			(31%)	76%	(13%)	(53%)
	Symbolic	2.05	2.59	4.34	1.95	2.77
			26%	68%	(55%)	42%
	Other	0.52	0.41	0.73	0.20	0.41
			(21%)	78%	(73%)	105%
Total disclosure	Substantive	42.82	36.86	46.09	35.79	18.87
			(14%)	25%	(22%)	(47%)
	Symbolic	15.53	21.51	19.88	11.66	8.82
			39%	(8%)	(41%)	(24%)
	Other	4.11	5.35	2.89	1.82	3.00
			30%	(46%)	(37%)	65%
	Total	62.46	63.72	68.86	49.27	30.69
			2%	8%	(28%)	(38%)

J(ii): AF

Table 1 Total CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Disclosure per measurement unit	Sentences		150	102	145	402	419
				(32%)	42%	177%	4%
	Pages	Narrative	5.56	4.29	6.27	22.19	14.81
				(23%)	46%	254%	(33%)
		Pictorial	2.88	6.26	8.39	13.80	6.86
				117%	34%	64%	(50%)
		Total	8.44	10.55	14.66	35.99	21.67
				25%	39%	145%	(40%)
	% of Annual Report		6.2%	7.5%	8.6%	18.6%	9.7%
				21%	15%	116%	(48%)

Table 2 H&S CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure per measurement unit	Sentences		32	8	37	92	88
				(75%)	363%	149%	4%
	Pages	Narrative	1.19	0.32	1.60	5.03	3.11
				(73%)	400%	214%	(38%)
		Pictorial	0	0	0	0.86	0
				-	-	∞	(100%)
		Total	1.19	0.32	1.60	5.89	3.11
				(73%)	400%	268%	47%
	% of Annual Report		0.9%	0.2%	0.9%	3.1%	1.4%
				(77%)	350%	244%	(55%)

Table 3 Source of CSD (in pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	NA	6.43	10.86	30.34	14.86
		-	61%	74%	84%	69%
	Reference Report	8.44	4.12	3.80	5.65	6.81
		100%	39%	26%	16%	31%
	Total	8.44	10.55	14.66	35.99	21.67
		100%	100%	100%	100%	100%

Table 4 Source of CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	NA	6.43	10.86	30.34	14.86
			∞	69%	179%	(51%)
	Reference Report	8.44	4.12	3.80	5.65	6.81
			(51%)	(8%)	49%	21%
	Total	8.44	10.55	14.66	35.99	21.67
			25%	39%	145%	(40%)

Table 5 Theme of CSD (pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	1.19	0.32	1.60	5.89	3.11
		14%	3%	11%	16%	14%
	Marketplace	0.81	3.59	5.89	5.65	2.13
		10%	34%	40%	16%	10%
	Workplace	6.32	6.64	6.84	15.09	10.94
		75%	63%	47%	42%	50%
	Community	0	0	0.14	1.21	1.50
		0%	0%	1%	3%	7%
	Environment	0.11	0	0.21	5.56	3.37
		1%	0%	1%	15%	16%
	Other	0	0	0	2.59	0.60
		0%	0%	0%	7%	3%
	Total	8.44	10.55	14.66	35.99	21.67
		100%	100%	100%	100%	100%

Table 6 Theme of CSD (pages) and year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	1.19	0.32	1.60	5.89	3.11
			(73%)	400%	268%	(47%)
	Marketplace	0.81	3.59	5.89	5.65	2.13
			343%	64%	(4%)	(62%)
	Workplace	6.32	6.64	6.84	15.09	10.94
			5%	3%	121%	(28%)
	Community	0	0	0.14	1.21	1.50
			-	∞	764%	24%
	Environment	0.11	0	0.21	5.56	3.37
			(100%)	∞	2,548%	(39%)
	Other	0	0	0	2.59	0.60
			-	-	∞	(77%)
	Total	8.44	10.55	14.66	35.99	21.67
			25%	39%	145%	(40%)

Table 7 Positive vs. negative CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Positive	1.07	0.25	1.31	4.94	2.45
			(77%)	424%	277%	(50%)
	Negative	0.07	0	0.29	0.86	0.49
			(100%)	∞	197%	(43%)
	Neutral	0.04	0.07	0	0.09	0.17
			75%	(100%)	∞	89%
Total disclosure	Positive	5.75	7.14	13.21	30.91	18.74
			24%	85%	134%	(39%)
	Negative	0.63	0.70	0.87	2.98	1.31
			11%	24%	242%	(56%)
	Neutral	2.06	2.70	0.59	2.10	1.61
			31%	(78%)	256%	(23%)
	Total	8.44	10.55	14.66	35.99	21.67
			25%	39%	145%	(40%)

Table 8 Substantive vs. symbolic CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Substantive	0.74	0.27	0.87	3.59	2.29
			(64%)	222%	313%	(36%)
	Symbolic	0.41	0.05	0.73	2.25	0.78
			(87%)	1,360%	208%	(65%)
	Other	0.04	0	0	0.04	0.03
			(100%)	-	∞	(25%)
Total disclosure	Substantive	5.69	4.42	5.43	19.06	12.42
			(22%)	23%	251%	(35%)
	Symbolic	2.07	5.42	9.02	16.07	8.52
			162%	66%	78%	(47%)
	Other	0.67	0.70	0.21	0.86	0.72
			4%	(70%)	310%	(16%)
	Total	8.44	10.55	14.66	35.99	21.67
			25%	39%	145%	(40%)

J(iii): AA

Table 1 Total CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Disclosure per measurement unit	Sentences		105	38	406	144	106
				(64%)	968%	(65%)	(26%)
	Pages	Narrative	5.25	1.58	19.88	4.24	3.93
				(70%)	1,158%	(79%)	(7%)
		Pictorial	6.86	6.17	12.68	8.85	9.77
				(10%)	106%	(30%)	10%
		Total	12.11	7.75	32.56	13.09	13.70
				(36%)	320%	(60%)	5%
	% of Annual Report		18.3%	18.5%	18.9%	12.5%	13.3%
				1%	2%	(34%)	6%

Table 2 H&S CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure per measurement unit	Sentences		7	10	65	21	7
				43%	550%	(68%)	(67%)
	Pages	Narrative	0.35	0.42	3.08	0.62	0.26
				20%	633%	(80%)	(58%)
		Pictorial	0.50	0.25	1.32	0.50	0.56
				(50%)	428%	(62%)	12%
		Total	0.85	0.67	4.40	1.12	0.82
				(21%)	557%	(75%)	(27%)
	% of Annual Report		1.3%	1.6%	3%	1.1%	0.8%
				23%	88%	(63%)	(27%)

Table 3 Source of CSD (in pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	12.11	7.75	8.68	13.09	13.70
		100%	100%	27%	100%	100%
	Sustainability Report	-	-	23.88	-	-
		-	-	73%	-	-
	Total	12.11	7.75	32.56	13.09	13.70
		100%	100%	100%	100%	100%

Table 4 Source of CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	12.11	7.75	8.68	13.09	13.70
			(36%)	12%	51%	5%
	Sustainability Report	-	-	23.88	-	-
			-	∞	(100%)	-
	Total	12.11	7.75	32.56	13.09	13.70
			(36%)	320%	(60%)	5%

Table 5 Theme of CSD (pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	0.85	0.67	4.40	1.12	0.82
		7%	9%	14%	9%	6%
	Marketplace	3.04	1.81	0.44	0.29	0.44
		25%	23%	1%	2%	3%
	Workplace	7.47	4.69	12.35	10.60	10.68
		62%	61%	38%	81%	78%
	Community	0	0	3.86	0	0
		0%	0%	12%	0%	0%
	Environment	0.75	0.50	9.71	1.07	1.75
		6%	6%	30%	8%	13%
	Other	0	0.08	1.79	0	0
		0%	1%	5%	0%	0%
	Total	12.11	7.75	32.56	13.09	13.70
		100%	100%	100%	100%	100%

Table 6 Theme of CSD (pages) and year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	0.85	0.67	4.40	1.12	0.82
			(21%)	557%	(75%)	(27%)
	Marketplace	3.04	1.81	0.44	0.29	0.44
			(40%)	(76%)	(34%)	52%
	Workplace	7.47	4.69	12.35	10.60	10.68
			(37%)	163%	(14%)	1%
	Community	0	0	3.86	0	0
			-	∞	(100%)	-
	Environment	0.75	0.50	9.71	1.07	1.75
			(33%)	1,842%	(89%)	64%
	Other	0	0.08	1.79	0	0
			∞	2,138%	(100%)	-
	Total	12.11	7.75	32.56	13.09	13.70
			(36%)	320%	(60%)	5%

Table 7 Positive vs. negative CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Positive	0.25	0.42	2.63	0.06	0.07
			68%	526%	(98%)	16%
	Negative	0.10	0	0.78	0.29	0
			(100%)	∞	(63%)	(100%)
	Neutral	0.50	0.25	1.00	0.76	0.75
			(50%)	300%	(24%)	(1%)
Total disclosure	Positive	6.14	3.17	23.34	1.29	1.49
			(48%)	636%	(94%)	16%
	Negative	1.02	0.25	2.97	2.99	2.45
			(75%)	1,088%	1%	(18%)
	Neutral	4.95	4.33	6.24	8.81	9.76
			(13%)	44%	41%	11%
	Total	12.11	7.75	32.56	13.09	13.70
			(36%)	320%	(60%)	5%

Table 8 Substantive vs. symbolic CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Substantive	0.65	0.67	3.29	0.94	0.67
			3%	391%	(71%)	(29%)
	Symbolic	0.20	0	1.11	0.18	0.15
			(100%)	∞	(84%)	(17%)
	Other	0	0	0	0	0
			-	-	-	-
Total disclosure	Substantive	8.96	5.29	20.19	10.13	10.90
			(41%)	282%	(50%)	8%
	Symbolic	3.15	2.38	11.88	1.47	1.26
			(24%)	399%	(88%)	(14%)
	Other	0	0.08	0.49	1.49	1.53
			∞	513%	204%	3%
	Total	12.11	7.75	32.56	13.09	13.70
			(36%)	320%	(60%)	5%

J(iv): SIA

Table 1 Total CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Disclosure per measurement unit	Sentences		77	86	157	190	148
				12%	83%	21%	(22%)
	Pages	Narrative	3.08	3.44	7.85	7.60	6.43
				12%	128%	(3%)	(15%)
		Pictorial	1.83	2.77	4.28	6.07	7.45
				51%	55%	42%	23%
		Total	4.91	6.21	12.13	13.67	13.88
				26%	95%	13%	2%
	Proportion of report		5.5%	6.8%	11.4%	11.8%	11.4%
				24%	68%	4%	(4%)

Table 2 H&S CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure per measurement unit	Sentences		8	12	36	38	22
				50%	200%	6%	(42%)
	Pages	Narrative	0.32	0.48	1.80	1.52	0.96
				50%	275%	16%	37%
		Pictorial	0	0.16	0.32	0	0.17
				∞	100%	(100%)	∞
		Total	0.32	0.64	2.12	1.52	1.13
				100%	231%	(28%)	(26%)
	Proportion of report		0.4%	0.7%	2.0%	1.3%	0.9%
				75%	186%	(35%)	(31%)

Table 3 Theme of disclosure (pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	0.32	0.64	2.12	1.52	1.13
		7%	11%	17%	12%	8%
	Marketplace	0.56	0.66	2.02	2.87	3.50
		11%	11%	17%	21%	25%
	Workplace	2.16	2.79	2.44	5.49	6.26
		44%	45%	20%	40%	45%
	Community	0.54	0.72	2.09	0.44	0.35
		11%	12%	17%	3%	3%
	Environment	0.28	0.08	0.23	0.33	0.56
		6%	2%	2%	2%	4%
	Other	1.05	1.16	3.23	3.02	2.10
		21%	19%	27%	22%	15%
	Total	4.91	6.21	12.13	13.67	13.88

Table 4 Theme of CSD (pages) and year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	0.32	0.64	2.12	1.52	1.13
			100%	231%	(28%)	(26%)
	Marketplace	0.56	0.66	2.02	2.87	3.50
			18%	206%	42%	22%
	Workplace	2.16	2.79	2.44	5.49	6.26
			29%	(13%)	125%	14%
	Community	0.54	0.72	2.09	0.44	0.35
			33%	190%	(79%)	(20%)
	Environment	0.28	0.08	0.23	0.33	0.56
			(71%)	188%	43%	70%
	Other	1.05	1.16	3.23	3.02	2.10
			10%	178%	(7%)	(30%)
	Total	4.91	6.21	12.13	13.67	13.88
			26%	95%	3%	2%

Table 5 Positive vs. negative CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Positive	0.28	0.54	1.58	0.84	0.97
			93%	193%	(47%)	15%
	Negative	0.04	0.06	0.54	0.64	0.12
			50%	800%	19%	(81%)
	Neutral	0	0.04	0	0.04	0.04
			∞	(100%)	∞	-
Total disclosure	Positive	4.55	5.40	10.84	7.76	9.25
			19%	101%	(28%)	19%
	Negative	0.28	0.37	0.79	4.53	1.38
			32%	114%	473%	(70%)
	Neutral	0.08	0.44	0.50	1.38	3.25
			450%	14%	176%	136%
	Total	4.91	6.21	12.13	13.67	13.88
			26%	95%	13%	2%

Table 6 Substantive vs. symbolic CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Substantive	0.24	0.52	1.49	1.32	1.13
			117%	187%	(11%)	(14%)
	Symbolic	0.08	0.12	0.63	0.20	0
			50%	425%	(68%)	(100%)
	Other	0	0	0	0	0
			-	-	-	-
Total disclosure	Substantive	3.29	4.97	9.53	10.90	12.15
			51%	92%	14%	11.5%
	Symbolic	1.58	1.24	1.85	2.13	1.74
			(22%)	49%	15%	(18%)
	Other	0.04	0	0.75	0.64	0
			(100%)	∞	(15%)	(100%)
	Total	4.91	6.21	12.13	13.67	13.88
			26%	95%	13%	2%

$J(v)$: SAS

Table 1 Total CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Disclosure per measurement unit	Sentences		872	858	1,777	646	880
				(2%)	107%	(64%)	36%
	Pages	Narrative	24.50	23.56	48.89	14.04	17.60
				(4%)	108%	(71%)	25%
		Pictorial	27.99	41.2	49.37	9.24	11.00
				47%	20%	(81%)	19%
		Total	52.49	64.76	98.26	23.28	28.60
				23%	52%	(76%)	23%
	% of Annual Report		10.6%	10.7%	21.4%	19.1%	24.2%
				1%	100%	(11%)	27%

Table 2 H&S CSD per measurement unit and % of year to year change (negative figures in brackets)

			<i>Pre-accident</i>		<i>Post-accident</i>		
			<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure per measurement unit	Sentences		60	185	279	80	115
				208%	51%	(71%)	44%
	Pages	Narrative	1.66	4.95	7.55	1.74	2.30
				198%	53%	(77%)	32%
		Pictorial	1.30	1.64	5.01	1.12	1.17
				26%	205%	(78%)	4%
		Total	2.96	6.59	12.56	2.86	3.47
				123%	91%	(77%)	21%
	% of Annual Report		1.5%	2.8%	5.0%	2.3%	2.9%
				87%	79%	(54%)	26%

Table 3 Source of CSD (in pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	12.31	11.65	25.44	23.28	28.60
		23%	(18%)	26%	100%	100%
	Sustainability Report	40.18	40.88	72.82	-	-
		77%	63%	74%	-	-
	Supplementary Data	-	12.23	-	-	-
		-	19%	-	-	-
	Total	52.49	64.76	98.26	23.28	28.60
		100%	100%	100%	100%	100%

Table 4 Source of CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₂</i>	<i>Y₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Report	Annual Report	12.31	11.65	25.44	23.28	28.60
			(5%)	118%	(8%)	23%
	Sustainability Report	40.18	40.88	72.82	-	-
			2%	78%	(100%)	-
	Supplementary Data	-	12.23	-	-	-
			∞	(100%)	-	-
	Total	52.49	64.76	98.26	23.28	28.60
			23%	52%	(76%)	23%

Table 5 Theme of CSD (pages) in proportions

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	2.96	6.59	12.56	2.86	3.47
		6%	10%	13%	12%	12%
	Marketplace	4.01	2.76	3.75	1.77	3.44
		8%	4%	4%	8%	12%
	Workplace	4.95	5.09	6.9	5.35	6.79
		9%	8%	7%	23%	24%
	Community	0.05	0.16	0.44	0.23	0.62
		-	-	-	1%	2%
	Environment	39.00	46.83	68.51	11.38	9.58
		74%	73%	70%	49%	33%
	Other	1.52	3.33	6.11	1.69	4.70
		3%	5%	6%	7%	17%
	Total	52.49	64.76	98.26	23.28	28.60
		100%	100%	100%	100%	100%

Table 6 Theme of CSD (pages) and year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
Type of Disclosure	Health & Safety	2.96	6.59	12.56	2.86	3.47
			123%	91%	(79%)	21%
	Marketplace	4.01	2.76	3.75	1.77	3.44
			(31%)	36%	(53%)	94%
	Workplace	4.95	5.09	6.90	5.35	6.79
			3%	36%	(22%)	30%
	Community	0.05	0.16	0.44	0.23	0.62
			220%	175%	(48%)	170%
	Environment	39.00	46.83	68.51	11.38	9.58
			20%	46%	(83%)	(16%)
	Other	1.52	3.33	6.11	1.69	4.70
			119%	83%	(72%)	178%
	Total	52.49	64.76	98.26	23.28	28.60
			23%	52%	(76%)	23%

Table 7 Positive vs. negative CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Positive	1.72	3.89	6.55	1.86	2.06
			126%	68%	(72%)	11%
	Negative	0.77	1.22	3.37	0.35	0.70
			58%	176%	(90%)	100%
	Neutral	0.47	1.48	2.64	0.65	0.71
			214%	78%	(75%)	9%
Total disclosure	Positive	35.39	35.40	51.91	14.11	18.25
			-	47%	(73%)	29%
	Negative	12.04	14.71	21.66	3.27	5.05
			22%	47%	(85%)	54%
	Neutral	5.06	14.65	24.69	5.90	5.30
			190%	69%	76%	(10%)
	Total	52.49	64.76	98.26	23.28	28.60
			23%	52%	(76%)	23%

Table 8 Substantive vs. symbolic CSD in pages and % of year to year change (negative figures in brackets)

		<i>Pre-accident</i>		<i>Post-accident</i>		
		<i>Y₋₂</i>	<i>Y₋₁</i>	<i>Y₁</i>	<i>Y₂</i>	<i>Y₃</i>
H&S disclosure	Substantive	1.80	3.82	5.42	1.40	2.07
			112%	42%	(74%)	48%
	Symbolic	1.08	1.90	5.14	1.11	1.22
			76%	171%	(78%)	10%
	Other	0.08	0.87	2.00	0.35	0.18
			988%	130%	(83%)	(49%)
Total disclosure	Substantive	29.36	30.64	48.95	10.52	14.32
			4%	60%	(79%)	36%
	Symbolic	19.78	23.63	30.48	7.96	11.71
			19%	29%	(74%)	47%
	Other	3.35	10.49	18.83	4.80	2.57
			213%	80%	(75%)	(46%)
	Total	52.49	64.76	98.26	23.28	28.60
			23%	52%	(76%)	23%

Waiting for the Barbarians

What are we waiting for, assembled in the forum?

The barbarians are to arrive today.

Why such inaction in the Senate?

Why do the Senators sit and pass no laws?

Because the barbarians are to arrive today.

What laws can the Senators pass any more?

When the barbarians come they will make the laws.

*Why did our emperor wake up so early,
and sits at the greatest gate of the city,
on the throne, solemn, wearing the crown?*

*Because the barbarians are to arrive today.
And the emperor waits to receive
their chief. Indeed he has prepared
to give him a scroll. Therein he inscribed
many titles and names of honor.*

*Why have our two consuls and the praetors come out
today in their red, embroidered togas;
why do they wear amethyst-studded bracelets,
and rings with brilliant, glittering emeralds;
why are they carrying costly canes today,
wonderfully carved with silver and gold?*

*Because the barbarians are to arrive today,
and such things dazzle the barbarians.*

Why don't the worthy orators come as always

to make their speeches, to have their say?

*Because the barbarians are to arrive today;
and they get bored with eloquence and orations.*

*Why all of a sudden this unrest
and confusion. (How solemn the faces have become).
Why are the streets and squares clearing quickly,
and all return to their homes, so deep in thought?*

*Because night is here but the barbarians have not come.
And some people arrived from the borders,
and said that there are no longer any barbarians.*

*And now what shall become of us without any barbarians?
They were some kind of solution.*

K P Kavafis (1863-1933)