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Understanding the Determinants of Corporate Social Disclosure Strategies: An Examination of Firms' Use of GRI Guidelines

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UNDERSTANDING THE DETERMINANTS OF CORPORATE SOCIAL DISCLOSURE STRATEGIES: AN EXAMINATION OF FIRMS’ USE OF GRI GUIDELINES

by

James Michael Simmons, Jr.

A Dissertation

Presented in Partial Fulfillment of Requirements for the
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The content and format of the dissertation are appropriate and acceptable for the awarding of the degree of Doctor of Business Administration.

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ABSTRACT

Understanding the Determinants of Corporate Social Disclosure Strategies: An Examination of Firms’ Use of GRI Guidelines

by

James Michael Simmons Jr.

With the evolution of CSR reporting practices and the introduction and widespread adoption of the GRI Guidelines, this research sought to understand the factors that determine a company’s CSR disclosure strategy. It examined the relationship between a four-dimensional model of reporting determinants and a firm’s CSR disclosure strategy. The proposed model drew from legitimacy, institutional and stakeholder theories and included the following constructs: non-financial corporate characteristics, the firm’s financial performance, the involvement of the firm’s stakeholders and environmental turbulence. The firm’s CSR disclosure strategy was represented by the GRI application level chosen by the firm and the presence or absence of third party assurance. The study found environmental turbulence to be the only strongly predictive construct. However, this construct and other predictive variables that were shown to be related help strengthen understanding of disclosure strategy. Given these findings, four key concepts emerge that firms must consider in developing their CSR disclosure strategy. These include stakeholder salience, environmental turbulence, mimetic behavior, and institutional norms.
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CHAPTER 1

Introduction

An increasing number of companies are voluntarily disclosing their social, environmental and economic impact (Chen and Bouvain, 2009). With corporate social responsibility (CSR) reporting, companies can demonstrate their attempts to meet society’s expectations (Gray, Owen & Mauders, 1988; Neu, Warsame & Pedwell, 1998; Yongvanich & Guthrie, 2006). They are also able to show stakeholders that their firms are committed to social responsibility (Gamerschlag, Moller & Verbeeten, 2011; Hubbard, 2011; Nikolaeva & Bicho, 2011).

CSR disclosures provide the firm with a powerful marketing tool that can be used to engage with stakeholders and enhance both the firm’s reputation and its brand (Bebbington, Larrinaga-Gonzalez & Moneva-Abadía, 2008; Luo & Bhattacharya 2006; Nikolaeva & Bicho, 2011; Sweeney & Coughlan, 2008). The issue firms face, however, is that stakeholders are often unaware of the CSR initiatives companies undertake (Sen, Bhattacharya & Korschun, 2006). When CSR initiatives are reported, they have been shown to have a favorable effect on how stakeholders think, feel and act toward a company and its brand (Hoeffler & Keller, 2002; Sen et al., 2006). Consumer awareness of a company’s approach to CSR not only helps the firm be viewed as socially responsible, it also makes consumers more likely to purchase from the company (Sen et al., 2006).
CSR reporting can also help the firm shape its reputation in the market place (Sen et al., 2006). It can provide an opportunity for companies to engage stakeholders in an ongoing dialogue (GRI, 2012; Nikolaeva & Bicho, 2011). By sharing the firm’s CSR initiatives and disclosing its social, environmental and economic impact, marketers are able to engage with multiple stakeholder groups, build lasting relationships and thus create value for the firm (Bhattacharya & Korschun 2008; Ferrell, Gonzalez-Padron, Hult, & Maignan. 2010; Hult, Mena, Ferrell & Ferrell 2011).

While CSR reporting is relevant to marketers and has gained popularity within the business community, scholars have shown far less interest in the topic (Chen & Bouvain, 2009; Ziek, 2009). In an order to gain a clear understanding of CSR disclosure/reporting, ABI/Inform was used to examine the literature associated with a robust list of key terms (Cronin et al., 2011). This review of the literature showed that CSR disclosure research started later and increased at a slower pace than that which focused on CSR performance. Additionally, this research has been carried out primarily by non-marketing scholars and limited to a narrow range of topics (Nikolaeva & Bicho, 2011; Reverte, 2009). For example, descriptive research was initially conducted in order to understand corporate reporting practices (Gray, Kouhy & Lavers, 1995; Wiseman, 1982). The findings from that research led scholars to examine the relationship between a firm’s social and financial performance and its CSR disclosures (Ingram & Frazier, 1980; Reverte, 2009; Roman, Hayibor & Able; 1999). Ultimately, CSR disclosure research focused on identifying the determinants of CSR reporting (Boesso & Kumar, 2007; Cormier & Magnan, 1999; Roberts, 1992; Reverte, 2009). Generally, research has produced inconsistent results across studies or results with limited generalizability (Adams &
Whelan, 2009; Parker, 2005). However, two competing theoretical models emerged from the literature to help explain the determinants of CSR reporting (Ullmann, 1985; Adams, 2002).

The first model that was proposed by Ullmann (1985) relied on stakeholder theory to help explain the relationship between a firm’s social and financial performance and the quantity and quality of its social disclosure. Determinants were clustered into one of three factors that included the firm’s strategic posture, its financial performance and stakeholder power. This model not only suggested a potential explanation for the relationship between performance and disclosure, it also encouraged further research into other possible determinants (Ullmann 1985).

The second model, proposed by Adams (2002), focused on different types of contextual factors that included corporate characteristics, general contextual factors and internal factors. Corporate characteristics included variables such as size and industry membership. General factors included variables that reflect the influence of culture, media, government and other stakeholders. Internal factors focused on the firm’s structure and decision-making processes (Adams, 2002).

While these models have been useful, both the environment in which disclosures are made and the process for reporting has changed dramatically since they were introduced. In more recent research, scholars have also pointed out potential issues with the theoretical framework and the methods that have been used. When taken together, these factors raise questions about whether the models proposed by Ullmann (1985) and Adams (2002) are sufficient to explain the determinants of CSR reporting.
Additional empirical research is clearly needed to help provide a more comprehensive understanding of the factors that influence a firm’s CSR disclosure strategy.

As noted previously, companies face a significantly different business environment than when Ullmann (1985) and Adams (2002) first proposed their models. Economic slowing, political discontent and technological advancements have combined to make the business environment more difficult to navigate (Berthon, Pitt, Plangger & Shapiro, 2012; Kolk & Pinkse, 2010; Mason, 2006). Since 2008, the United States and many countries in Europe have experienced a significant economic downturn. Increased unemployment, growing government debt and slowing economies have created economic and political challenges for both government and business (Ivashina & Scharfstein, 2010). Technological advancements and increasing use of social media have also helped make corporate activities visible to a broader audience than ever before (Berthon et al., 2012; Du, Bhattacharya & Sen, 2010).

With information so readily available, demands for accountability have increased (Islam & Deegan, 2010; Kolk & Pinkse, 2010; Nikolaeva & Bicho, 2011). An increasing number of companies are disclosing their CSR activities in order to meet society’s expectations. From 2005 to 2008, the percentage of public companies that reported their CSR initiatives grew from 50% to 80% (KPMG, 2008). By 2011, that percentage had grown to 95% (KPMG; 2011: Berthon et al., 2012; Hubbard, 2011; KPMG, 2011; Kolk & Pinkse, 2010; Mason, 2006).

The observed growth in CSR disclosures has been accompanied by the introduction and widespread adoption of reporting standards like the Global Reporting Initiative (GRI) Guidelines (Hubbard, 2011; KPMG, 2011). These Guidelines were first
introduced in 1999 and have been revised three times with the current version, the GRI’s G3 Guidelines, released in 2006. The G3 Guidelines provide companies with a way to communicate to stakeholders that certain requirements have been met (Gamerschlag et al., 2011; GRI, 2012; Moneva, Archel & Correa, 2006).

Before these standards were developed, there was a lack of uniformity and disclosures often failed to report information that stakeholders found useful. The developers of the GRI sought to change this by introducing standards that would help guide firms in knowing what to report. The guidelines’ creators also sought to make reporting easier to review and compare (Nikolaeva & Bicho, 2011; Willis 2003). To achieve this, they relied on broad stakeholder input to develop key performance indicators. These indicators focus on economic, environmental and social factors, which are commonly referred to as the Triple-Bottom Line (Elkington, 1994, 1998; GRI, 2012; Nikolaeva & Bicho, 2011).

The GRI performance indicators provide more extensive coverage than any of the other reporting standards (Perrini, 2005). The framework includes 50 core performance indicators that describe the firm’s economic, environmental and social impact and 28 additional indicators that focus on areas like human rights, labor economic development, community, investment, product responsibility, air and water quality, energy, waste and corruption (Hubbard, 2011; Perrini 2005). Given their breadth, the guidelines not only help improve the usefulness of reporting, they also provide greater transparency about the firm’s operation. They help assure stakeholders that both the firm and its disclosures can be viewed as legitimate (Arvidssson, 2010; GRI, 2012). As a result, the GRI Guidelines have become the most widely adopted reporting standard by firms globally with
approximately 80% of the Global 250 currently using them (Chen & Bouvain, 2009; KPMG, 2011; Nikolaeva & Bicho, 2011; Waddock & Googins, 2011). They have also been endorsed by a broad range of stakeholders such as the World Economic Forum, the Organization for Economic Cooperation and Development and the European Union (Ho & Taylor, 2007).

While GRI provides guidance, firms must still make several strategic decisions in determining their CSR disclosure strategy. First, they must determine how transparent they wish to be in their reporting (GRI, 2012). The G3 Guidelines include three application levels – A, B and C - that communicate to stakeholders that a certain level of reporting has been undertaken. These application levels are self-declared and differ in their reporting requirements. For instance, organizations that declare a C application level report on a minimum of 10 core performance indicators including at least one from each category: social, economic and environment. Those who declare a B application level must report a minimum of 20 core performance indicators and must report on at least one from the economic, environment, labor practices & decent work, human rights, society, product responsibility categories. Those declaring an A application level must report on all 50 core performance indicators.

In addition to choosing an application level, the firm must also determine whether or not to pursue third party assurance (GRI, 2012; Moneva et al., 2006). The process helps verify that both the report and the method used to create it are well documented, evidence-based, balanced and consistent with the GRI Reporting Framework (GRI, 2012; O’Dwyer, 2001). It also helps reinforce the credibility and the legitimacy of both the firm and its reporting (Dhaliwal, Radhakrishnan, Tsang & Yang, 2012). Those firms that
utilize third party assurance may add a plus sign to their application level to acknowledge having gone through the process. The combination of the firm’s chosen GRI application level and its level of assurance signal the firm’s legitimacy to stakeholders, which is consistent with both stakeholder and legitimacy theories.

Besides the issues noted thus far, scholars have also suggested several items that should be examined. First, a larger number of stakeholders are known to influence society’s expectations and encourage greater corporate accountability (Fiss & Zajac, 2006; Islam & Deegan, 2010; Nikolaeva & Bicho, 2011). This would suggest that there is value in examining multiple stakeholders. Ullmann (1985) focused on the shareholder while Adams (2002) referenced a broader set of stakeholders. These included shareholders, employees, media and non-governmental organizations. This broader perspective is evident in studies by Chen and Bouvain (2009), Belal and Roberts (2010), Shinkle and Spencer (2012) and Adams and Whelan (2009). Other studies have shown that government and academia have begun to play a more significant institutional role (Adams & Whelan, 2009; Cormier, Gordon & Magnan, 2004). Given the literature, a multi-stakeholder perspective is required.

Second, past research has suggested the need for a broader theoretical framework to explain CSR reporting strategies. While legitimacy theory, stakeholder theory and institutional theory have all been mentioned frequently in the literature (Gray et al., 1995; Milne & Patten, 2002; O’Dwyer, 2003; Oliver, 1991), no singular theory has been used effectively to explain the determinants of CSR disclosure (Cormier et al., 2005). Several scholars, however, have suggested that stakeholder theory and legitimacy theory can work together to provide a more comprehensive explanation of a firm’s CSR disclosure
strategy (Adams & Whelan, 2009; Deegan & Blomquist, 2006; Gray et al., 1995). Others have suggested that legitimacy theory must be used with stakeholder and institutional theories to provide a comprehensive explanation (Adams & Whelan, 2009; Deegan & Blomquist, 2006; Gray et al., 1995).

Finally, researchers have used content analysis to evaluate the quantity and quality of CSR disclosure, but it has some noteworthy limitations (Deegan & Gordon, 1996; Gray et al., 1995; Guthrie et al., 2004; Guthrie & Farneti, 2008; Guthrie & Parker, 1989). This method allows researchers to quantify the amount of key information included in CSR disclosures (Gamerschlag et al., 2011; Guthrie et al., 2004). However, the reliability of the analysis is dependent on the ability of raters to consistently apply a set of rules (Ingram & Frazier, 1980). The number of firms that may be examined may also be limited because of the amount of time it takes to carry out the analysis (Gamerschlag et al., 2011).

When Ullmann (1985) and Adams (2002) first introduced their models, they may have been sufficient to explain the determinants of CSR disclosure strategy. However, multiple factors have been discussed that would suggest this may no longer be true. As noted here, scholars have pointed out potential issues with the theoretical framework and methods that have been used in past CSR disclosure research. When combined with the introduction of reporting standards and a turbulent business environment, it is clear that additional empirical research is needed. The purpose of this study is to address the issues that have been raised here and help provide a more comprehensive understanding of the factors that influence a firm’s CSR disclosure strategy.

Unlike other studies, this research will rely on a broad theoretical framework that
includes stakeholder theory, legitimacy theory and institutional theory. When used together, these theories have a complementary effect. This is exemplified in a new conceptual model that can be used to explain the determinants of CSR disclosure. The four-dimensional model, shown in Figure 1 builds upon previous research by Ullmann (1985) and Adams (2002). This model adapts the dimensions from the original models based on research findings and environmental changes that have taken place since their introduction. In doing so, it highlights the role that both the stakeholder and the institutional environment have in shaping the firm’s CSR disclosure strategy. This represents a broader role for both the stakeholder and for economic and political factors that result in environmental turbulence. The model includes 4 constructs – non-financial corporate characteristics, the firm’s financial performance, the involvement of the firm’s stakeholders and environmental turbulence.

This research also adds to our knowledge of CSR reporting in several additional ways. First, it redefines the concept of CSR disclosure strategy to include the choices firms face given the growing use of the GRI guidelines. In doing so, it examines the firm’s chosen GRI application level and its level of assurance as unique dependent variables. Second, rather than relying on the commonly used method of content analysis; this research utilizes a registry of global publicly traded firms that have reported using the G3 Guidelines. Third, it increases the awareness of CSR reporting amongst marketers. This is critical because marketers are charged with responsibility for monitoring the external environments, managing the firm’s reputation, protecting critical brand assets and engaging with stakeholders who are critical to the firm (Nikolaeva & Bicho, 2011).
Figure 1 Conceptual Model
While marketing scholars have examined the theoretical and managerial implications of CSR, the role of CSR disclosures is a new area worthy of exploration (Nikolaeva & Bicho, 2011).

The literature review that follows provides a clear picture of prior research and uses theory to help put past results into context. It also illuminates gaps in knowledge and shows areas related to CSR disclosure strategies that require further study. Finally, it helps demonstrate the theoretical rationale for the model and its related constructs that are proposed here. Ultimately, the literature review provides a strong foundation for this study and future research.
CHAPTER 2

Literature Review

Theoretical Overview

Researchers have used a broad theoretical framework to explain CSR reporting strategies. While legitimacy theory, stakeholder theory and institutional theory have all been mentioned frequently in the literature (Gray et al., 1995; Milne & Patten, 2002; O’Dwyer, 2003; Oliver, 1991), no one theory, when used alone, effectively explains a firm’s CSR disclosure strategy (Cormier et al., 2005). Several scholars, however, have suggested that stakeholder theory and legitimacy theory can work in tandem to provide a more comprehensive explanation (Adams & Whelan, 2009; Deegan & Blomquist, 2006; Gray et al., 1995).

Others have suggested that institutional theory can also be useful in explaining the adoption and use of frameworks for reporting CSR initiatives (Chen & Bouvain, 2009; Nikolaeva & Bicho, 2011) since the theory focuses on the way in which choices are shaped, mediated and channeled by an organization’s rules, norms and beliefs (Hoffman, 1999). CSR reporting and other actions of the firm are guided by a common institutional understanding that drives strategic choices. Like stakeholder and legitimacy theories, institutional theory can be used to describe corporate strategies and practices across a series of industries and countries. As a result, all three theories will be drawn upon to aid in explaining the determinants of CSR disclosure strategy. The following sections
highlight the gaps in each theory when used singularly to explain CSR disclosure strategies. They also show the synergy that is created when multiple theories are used together.

**Legitimacy Theory**

Legitimacy theory asserts that a social contract exists between business and society that forces a firm to behave in a socially desirable manner (Gray et al., 1988). By operating within society’s norms and expectations, the firm receives either passive or active support for its operations (Guthrie & Parker, 1989; O’Dwyer, 2003; Suchman, 1995). However, those norms and expectations may change over time and create incongruity between a firm’s values and those of society. For the firm to maintain legitimacy, it must be cognizant of changes to the environment and be ready to engage in a legitimization process (Ashforth & Gibbs, 1990; Islam & Deegan, 2010).

In order to maintain organizational legitimacy with society, an organization must engage in communication with its various stakeholders (Gray et al., 1996; Suchman, 1995). CSR reporting is an important example of this type of communication (Arvidsson, 2010; Deegan, 2002; O’Donovan, 2002). Ultimately, disclosing CSR-related activities and engaging in the assurance process serves to signal legitimacy and helps a company manage its corporate reputation (Bebbington, Larrinaga-Gonzalez & Moneva-Abadía, 2008; Fombrun & Gardberg, 2000; Gray et al., 1995).

The voluntary disclosure of a firm’s CSR activities to both internal and external stakeholders can generate dialogue and result in acknowledgement and/or approval of the organization’s objectives and strategies. Voluntary CSR reporting can help repair, attain or maintain both organizational and system wide legitimacy (Ader, 1995; Neu, Warsame
& Pedwell, 1998). As a result of such disclosures, a firm is perceived as socially responsible (Maignan, Ferrell, & Hult, 1999). Large companies are typically more visible as a result of their size and impact, which leads to increased public attention and concerns about the firm’s legitimacy (Dowling & Pfeffer, 1975). These concerns often lead society to have increased expectations of responsible behavior and expectations that the firm disclose CSR activities also tend to increase (Arvidsson, 2010). Yet, the disclosure of too much CSR information, commonly referred to as the “self-promoters paradox,” can harm an organization’s credibility (Ashforth & Gibbs, 1990; Morsing & Schultz, 2006).

In one study that used legitimacy theory as its underlying framework, O’Dwyer (2002) examined the motives for CSR reporting among 29 senior executives in Irish companies. The perspectives of these senior executives suggested that companies, particularly those in environmentally sensitive sectors, initially engaged in some form of CSR as a form of reaction to localized external pressures that threatened the firm’s legitimacy. While the actions of the executives and their firms were motivated initially by legitimacy concerns, disclosure reporting was ultimately deemed unlikely to lead to the successful attainment of a legitimacy state. Hence, many of the reporting companies in the study neglected to engage consistently in CSR disclosure due to a perceived negative and suspicious reaction among various report stakeholders.

Legitimacy theory alone cannot explain the motives for reporting. While the theory describes the pursuit of legitimacy as the major aim of CSR reporting, it fails to fully explain the role of stakeholders or to distinguish the stakeholders, which may have more influence. The theory also does not explain the role that institutional norms, values
and beliefs may have (Hoffman, 1999; Jackson & Apostolakou, 2010; Nikolaeva & Bicho, 2011). As a result, legitimacy theory must be used with stakeholder and institutional theories to provide a comprehensive explanation (Adams & Whelan, 2009; Deegan & Blomquist, 2006; Gray et al., 1995).

**Stakeholder Theory**

Stakeholder theory not only influences a firm’s approach to social responsibility, it also guides the way a firm reports its activities (Gray et al., 1995). The theory’s influence is evident in the way its foundational pillars can be extended to CSR reporting. In the course of operating, firms interact with multiple stakeholders (Clarkson, 1995; Freeman, 1984; Fiss & Zajac, 2006; Hult et al., 2011). This stakeholder interaction creates greater risk for the firm, which requires managers to be more comprehensive in reporting. The content of the reports then reflects the stakeholder’s influence on the firm’s strategy and its allocation of resources (Jones, 1995; Hill & Jones, 1992). Because there is often incongruity among stakeholders, the firm focuses on those who are believed to have the greatest salience (Freeman, 1984; Fiss & Zajac, 2006; Frooman, 1999; Hult et al., 2011; Jones, 1995; Mitchell, Agle & Wood, 1997).

Stakeholder salience is determined by the attributes of stakeholder power to influence the firm, the legitimacy of the stakeholder relationship with the firm and the urgency of the stakeholder’s claim. Managers use some combination of these attributes to prioritize stakeholders of interest. Disclosure reporting efforts often focus on the expectations of stakeholders, with the disclosure report serving as the avenue for a formal dialogue between the stakeholder and the firm. Reporting efforts are often made more complicated because of the dynamic and subjective nature of these attributes (Milne &
Patten, 2002). Ultimately, stakeholder theory can be useful in guiding a firm’s CSR reporting efforts as managers seek to meet the expectations of a variety of stakeholders (Donaldson & Preston, 1995; Mitchell et al., 1997).

While stakeholder theory helps identify and prioritize stakeholders for CSR reporting, it does not provide a robust explanation as to why CSR reporting is necessary. The theory focuses on the expectations of stakeholders as the primary motivation for reporting. It could be argued that these expectations are synonymous with legitimacy theory. However, these are the expectations of only a select group of stakeholders who are selected based on their influence, legitimacy and the urgency of their claim.

Legitimacy, on the other hand, involves a broader group and relies on society’s norms, values and beliefs (Hoffman, 1999; Jackson & Apostolakou, 2010; Nikolaeva & Bicho, 2011). Therefore, stakeholder theory cannot be used alone to explain the determinants of CSR disclosure strategy.

**Institutional Theory**

Institutional theory suggests that firms operate in environments that are shaped by a system of norms, values and beliefs (Hoffman, 1999; Jackson & Apostolakou, 2010; Nikolaeva & Bicho, 2011). This context may also be influenced by disruptive events like economic or political turbulence (Hoffman, 1999). For companies who seek legitimacy, these factors can create institutional pressure to adapt policies and practices. As a result, companies often exhibit mimetic behaviors (Milne & Patten, 2002). They are also more likely to justify their decisions based on the actions other companies have taken (Nikolaeva & Bicho, 2011).

Prior research has examined the effect of institutional factors on the CSR
practices of companies across industries and countries. An analysis of firms in Western Europe showed national institutions to be a strong predictor of firm level CSR practices. Industrial sectors were also shown to be a strong predictor. These findings support the idea that CSR practices are more likely to be adopted when they are recognized as institutionalized norms (Jackson & Apostolakou, 2010).

Empirical evidence has also suggested that the institutional environment plays a pivotal role in influencing companies reporting practices. CSR disclosures provide an important vehicle for companies to communicate legitimacy. The disclosures also provide a means by which to signal to stakeholders that the companies have sound CSR activities. As a result, CSR reporting is a valuable tool to express concern for society and demonstrate legitimacy (Othman, Darus & Arshad, 2011).

Not only have institutional pressures been shown to be strong determinants of CSR disclosures, they have also been able to play a role in firms’ adoption of the GRI standards. Research has shown that firms that are more attuned to the environment are more sensitive to institutional pressures and are more likely to respond through increased disclosure. Firms that are aware of institutional influences are also better able to strategically manage the resulting opportunities and threats (Nikolaeva & Bicho, 2011).

While institutional theory can contribute to our understanding of CSR reporting, it is insufficient when used by itself to explain disclosure practices. Because the theory primarily relies on institutional pressure to explain the actions of companies, it underestimates the influence of stakeholders and the need to pursue legitimacy. Therefore, institutional theory must be used with both stakeholder and legitimacy theories to more fully explain CSR disclosure.
CSR Reporting: A Changing Landscape

Corporate scandals and the global economic downturn have forced companies to be more socially responsible. They must meet their economic, legal, ethical and philanthropic obligations and be attentive to a broad group of stakeholders (Arvidsson, 2010; Carroll, 1999; Fiss & Zajac, 2006; Ivashina & Scharfstein, 2010; Kennedy & Neuger, 2012). However, it is not enough for corporations to merely engage in socially responsible activities, companies must also make their activities known. With increasing demands for transparency, companies feel compelled to demonstrate social responsibility and report the impact of their social, economic and environmental activities to both internal and external stakeholders (Arvidsson, 2010; Fiss & Zajac, 2006; Hackston & Milne, 1996; Maignan et al., 1999).

The firm’s social, economic and environmental impact is considered significant. However, as Kolk and Pinkse (p. 12) suggest, “materiality [significance] does not guarantee adequate disclosure.” That is, consistent with legitimacy theory, firms must provide sufficient CSR disclosure\(^1\) to demonstrate that they are making an honest effort to meet society’s expectations (Neu et al., 1998; Yongvanich & Guthrie, 2006). Voluntary CSR reporting can help repair, attain or maintain organizational legitimacy (Ader, 1995).

Voluntary CSR reporting provides companies with an opportunity to demonstrate transparency and accountability to society. This can help provide stakeholders with insights about a company’s activities (Chen & Bouvain, 2009; Dando & Swift, 2003; Yongvanich & Guthrie, 2006).

\(^1\) The terms CSR disclosure and CSR reporting are used interchangeably in the literature and both terms will be used in the current document.
Dubbink, Graafland & van Liedekerke, 2008; Reynolds & Yuthas, 2007; Shinkle & Spencer, 2012). Some companies rely on the firm’s traditional annual report to disclose CSR efforts while other companies have chosen to use stand-alone reports (Chatterji & Levine, 2006; Haddock-Fraser & Fraser, 2008; Hooghiemstra, 2000). The volume and type of information that is reported vary across companies and some studies suggest that there are country and industry differences in the reports (Chen & Bouvain, 2009).

Corporate social disclosures have evolved over time with society’s expectations. Prior to and during the 1970s, corporate reporting was used to help establish, support or restore perceptions of legitimacy (Deegan, 2002). These disclosures were oriented toward describing either the effectiveness or the efficiency of CSR initiatives and were aimed largely at influencing public relations (Herzig & Schaltegger, 2006). Beginning in the 1980s, society became more interested in the role of companies in environmental issues and public corporations began to focus on risk management and reputation enhancement (Bebbington et al., 2008). For example, the number of environmental reports grew as the focus on ecological effectiveness increased. From the mid-1990s to the end of the decade, the emphasis shifted to sustainability reports that included environmental, social and economic perspectives. These reports adopted more of a global context and each of the CSR-related issues was dealt with in a more comprehensive manner (Herzig & Schaltegger, 2006).

CSR Disclosure Research

While firms have engaged in CSR disclosure since the beginning of the twentieth century, there appears to have been minimal research interest in the topic (Hogner, 1982; Guthrie & Parker, 1989; Neu, Warsame & Pedwell, 1998). According to Adams (2002),
researchers were hesitant to invest time and effort in an area perceived to be difficult to measure or which had limited perceived usefulness and/or relevance to stakeholders. A review of the literature suggests that scholars have engaged actively in attempting to assess CSR performance (which is measurable) but that the actual disclosure of the activities leading to performance was lacking in the literature.

In order to gain a clearer understanding of CSR disclosure/reporting and to ascertain the quantity and type of related research, the ABI/INFORM (2012) database was used to produce an overview of past peer-reviewed research. This approach is consistent with the method used by Cronin et al. (2011) in their examination of green marketing strategies. The content that is included is drawn from leading business journals through a structured keyword search of the literature (Cronin et al., 2011; Webster & Watson, 2002). The method of data capture used by ABI/INFORM (2012) helps ensure that the results are focused and relevant. Although the literature review suggested a paucity of CSR research with respect to CSR discloser/reporting, it also revealed a variety of terms that have been used to describe the practice. Thus, the initial stage of the literature review involved an examination of peer-reviewed articles that made reference in both the abstract and the text to any of the following key words:

- Environmental Disclosure(s),
- Social Disclosure(s),
- Economic Disclosure(s),
- Social, Economic and Environmental Disclosure(s),
- Voluntary Disclosure(s),
- Sustainability Reporting,
• CSR Reporting and
• Corporate Social Responsibility Reporting

A comparison of the quantity of research for each type of disclosure is depicted in Table 1.

**Table 1**

**CSR Disclosure Research**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>123</td>
<td>443</td>
<td>246</td>
<td>815</td>
</tr>
<tr>
<td>Environ Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>111</td>
<td>623</td>
<td>393</td>
<td>1,134</td>
</tr>
<tr>
<td>Economic Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>5</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Social &amp; Environ Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>241</td>
<td>124</td>
<td>373</td>
</tr>
<tr>
<td>Environ &amp; Social Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>15</td>
<td>35</td>
</tr>
<tr>
<td>Voluntary Disclosure</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>13</td>
<td>69</td>
<td>345</td>
<td>1,315</td>
<td>633</td>
<td>2,377</td>
</tr>
<tr>
<td>CSR Disclosure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>57</td>
<td>82</td>
<td>142</td>
</tr>
<tr>
<td>CSR Reporting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>186</td>
<td>205</td>
<td>392</td>
</tr>
<tr>
<td>Sustain Reporting</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>458</td>
<td>293</td>
<td>758</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>14</td>
<td>78</td>
<td>605</td>
<td>3,348</td>
<td>1,992</td>
<td>6,039</td>
</tr>
</tbody>
</table>

Note: Environ Disclosure=Environmental Disclosure, Sustain Reporting=Sustainability Reporting

**Quantity of CSR Disclosure Research**

Of these search criteria, the term that was first to appear in the literature was
voluntary disclosures. This term has been used to describe information that is voluntarily provided to financial markets and investors to meet their information needs (Boesso & Kumar, 2007). These voluntary disclosures differ from the financial information that companies are mandated to provide. Instead, voluntary disclosures include social, environmental and economic information, which often varies across companies (Chen & Bouvain, 2009).

The term voluntary disclosures first appeared in the literature in the 1950’s. While there was no reference to the phrase during the 1960’s, articles on the topic once again emerged in the 1970’s and the number began to grow. Of all of the terms used to describe non-financial reporting, voluntary disclosures have appeared in the literature the most often with a total of 2,377 articles. While this term has often been used, it is less specific than other terms that have been examined.

Within ABI/INFORM (2012), environmental disclosure(s) were found to be the focus of 1,134 peer-reviewed articles. Slightly less interest was shown for social disclosure(s) and economic disclosure(s) with 815 and 13 peer-reviewed articles respectively. Substantially fewer peer-reviewed studies have focused on more than one type of disclosure. For instance, only 408 studies have been published to date that examine some combination of social, environmental and economic reporting.

Additionally, only 534 peer-reviewed articles have been focused on CSR disclosure(s), CSR reporting and Corporate Social Responsibility Reporting. Sustainability reporting has been the emphasis of 758 articles. Interestingly, all but 11 of the studies focused on CSR and sustainability reporting research have appeared since the
year 2000. The increasing quantity of disclosure research is a signal of increased interest in this area.

ABI/INFORM (2012) was once again utilized to gauge the quantity of CSR performance research. A closer look reveals several interesting trends. As shown in Table 2, performance research more than tripled from the 1960s to the 1970’s and then grew exponentially after that point. Amongst the three primary types, economic performance has received the most attention with 21,009 peer-reviewed articles. This is more than two and half times the number of articles focused on environmental performance and social performance combined. Environmental performance and social performance have been the focus of 4,327 and 3,981 peer-reviewed articles respectively.

In comparing CSR performance research and CSR disclosure research, it is clear...
that CSR disclosure has received less attention from researchers. Interestingly, social activities, which have received the least attention in CSR performance research, have received greater attention in disclosure research. It is also important to note that there was a lag in time between performance research becoming of interest to scholars and the appearance of disclosure research in business journals.

**Time Lag**

As shown in Table 1, little disclosure research took place prior to 1990 and that which did appear focused primarily focused on voluntary disclosure. From 1990-1999, the number of publications that focused on either social or environmental disclosures grew steadily and was nearly uniformly split between the two. There were relatively few studies that combined both social and environmental disclosures between 1990 and 1999, but that number grew significantly between 2000 and 2009. While the percentage of articles that focused on voluntary disclosure remained large, the majority focused on some component of CSR disclosures/reporting.

Performance research, depicted in Table 3, took time to gain momentum but did so much more quickly than disclosure research. From 1980 to 1989, there were nearly 13 times more peer-reviewed articles focused on types of performance than on disclosure. While the magnitude of difference slipped between 1990 and 1999, there were still more than 10 times more articles focused on performance. The performance articles were nearly five times greater than the number of disclosure articles between 2000 and 2009. Since 2010, the magnitude of difference has continued to decrease. However, there is still nearly three times more CSR performance research published than CSR disclosure research. The increased number of CSR disclosure studies and the decreasing magnitude
Table 3

Total Disclosure and Performance Research

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Disclosure Research</th>
<th>Total Performance Research</th>
<th>Magnitude Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-79</td>
<td>14</td>
<td>260</td>
<td>18.57</td>
</tr>
<tr>
<td>1980-89</td>
<td>78</td>
<td>987</td>
<td>12.65</td>
</tr>
<tr>
<td>1990-99</td>
<td>605</td>
<td>6186</td>
<td>10.22</td>
</tr>
<tr>
<td>2000-09</td>
<td>3,348</td>
<td>16188</td>
<td>4.84</td>
</tr>
<tr>
<td>2010-12</td>
<td>1,992</td>
<td>5808</td>
<td>2.92</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6037</td>
<td>29,429</td>
<td>4.87</td>
</tr>
</tbody>
</table>

difference could be a sign of greater recognition within the academic community that CSR disclosure strategies are an important area of study. A review of the CSR disclosure research, however, portrays a narrow band of academic scholarship.

A Narrow Band of Research

A review of all CSR disclosure research shows that the majority of research has been published in accounting journals. This is illustrated further in Table 4, which shows the top 10 journals for CSR disclosure research based on the quantity of research published to date. Considering the common bond with financial disclosures, it is not surprising that accounting scholars have focused on CSR disclosures. However, the accounting discipline’s dominance has led to a narrow range of research. This has focused on three areas: (1) descriptive analysis of disclosures across countries and time periods, (2) examination of the impact of disclosures on corporate social and financial performance and (3) empirical research examining the determinants of reporting.
(Reverte, 2009), with much of the research examining volume related to CSR disclosure.

Disclosure volume has been assessed in a variety of ways:

- Page count (Gray, Kouhy & Lavers, 1995),

**Table 4**

**Top 10 Journals for CSR Disclosure Research**

<table>
<thead>
<tr>
<th>Journal</th>
<th>Number of CSR Disclosure Articles Published to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting, Auditing &amp; Accountability Journal</td>
<td>594</td>
</tr>
<tr>
<td>Journal of Business Ethics</td>
<td>510</td>
</tr>
<tr>
<td>Social Responsibility Journal</td>
<td>204</td>
</tr>
<tr>
<td>Managerial Auditing Journal</td>
<td>189</td>
</tr>
<tr>
<td>Journal of Intellectual Capital</td>
<td>158</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>110</td>
</tr>
<tr>
<td>Journal of HRCA: Human Resource Costing &amp; Accounting</td>
<td>95</td>
</tr>
<tr>
<td>Journal of Accounting Research</td>
<td>90</td>
</tr>
<tr>
<td>Accounting Horizons</td>
<td>87</td>
</tr>
<tr>
<td>Business Strategy and the Environment</td>
<td>70</td>
</tr>
</tbody>
</table>

- Word count (Deegan & Gordon, 1996),
- Sentence count (Hackston & Milne, 1996) and

**The Relevance of CSR Disclosures to Marketing**

While CSR reporting research has been dominated by other disciplines, the topic is relevant to marketing scholars (Nikolaeva & Bicho, 2011). Companies have increasingly focused on corporate social responsibility and for those whose stakeholders
are aware, there is significant benefit. Even knowledge of a single activity or initiative may affect the consumers’ beliefs, attributions, attitudes and identification (Sen et al., 2006). When consumers are aware of the firm’s approach to CSR, a company is not only viewed as socially responsible, but consumers are more likely to purchase from them (Sen et al., 2006). The benefits to the company, however, are not restricted to consumption. Employment seeking behaviors may also be impacted positively (Turban & Greening, 1997). CSR initiatives, when reported, have been shown to have a favorable effect on how stakeholders think, feel and act toward a company and its brand (Hoeffler & Keller, 2002; Sen et al. 2006).

The firm’s approach to CSR reflects its perspective on societal obligation and can also have significant impact on its corporate reputation (Ellen, Webb & Mohr, 2006). Given the level of competition in most industries today, corporate reputation is critical (Aaker, 2005) and CSR provides a means by which to repair and/or refine it. Multiple studies have suggested that reputation management is a major reason for companies to engage in CSR activities and then to disclose them (Bebbington et al., 2008; Brown et al., 2009; Luo & Bhattacharya, 2006; Nikolaeva & Bicho, 2011).

Reputation has been defined as the “set of corporate associations that individuals outside an organization believe are central, enduring and distinctive to the organization” (Brown et al., 2006, 104). The issue companies face, however, is that despite their investment, stakeholders are often unaware of the CSR initiatives companies undertake. In fact, awareness of CSR initiatives is fairly low (Sen et al., 2006). This presents a significant obstacle for those firms that recognize the impact that CSR can have in helping them shape their reputation in the market place (Sen et al., 2006).
CSR reporting can help a company overcome this obstacle because it provides an opportunity to engage stakeholders in an ongoing dialogue (GRI, 2012; Nikolaeva & Bicho, 2011). In their stakeholder-oriented definition of marketing management, Gundlach and Wilkie (2010) suggest that the role of marketing management is to determine and implement those activities that involve “creating, communicating, delivering and exchanging offerings that have value for customers and other stakeholders, as well as society at large” (p. 91). Public relations and advertising have long been seen as activities that can help the firm communicate the impact of its CSR activities to stakeholders (Carter, 2006). CSR reporting has also been shown to be an effective communications tool because it can be used to engage stakeholders and address their concerns (Fombrun & Shanley, 1990; GRI, 2012; Orlitzky, Schmidt, & Rynes, 2003; Sweeney & Coughlan, 2008).

The firm’s success is dependent on meaningful relationships with its stakeholders and a focus on shared values. By sharing the firm’s CSR initiatives and disclosing its social, environmental and economic impact, marketers are able to engage with multiple stakeholder groups, build lasting relationships and thus create value for the firm (Bhattacharya & Korschun 2008; Ferrell et al. 2010; Hult et al., 2011). It is for these reasons that Nikolaeva & Bicho (2011, 152) conclude “the magnitude and the scope of CSR reporting should be studied more extensively by marketing scholars.”

Types of Research

Descriptive Analysis

A number of researchers have used descriptive analysis to review CSR disclosure practices. The studies they have conducted have examined single companies over an
extended period (Deegan et al., 2002; Guthrie & Parker, 1989), multiple companies in a single country (e.g. Brammer & Pavelin, 2008; Campbell, Craven & Shrives, 2003; Deegan & Gordon, 1996; Ho & Taylor, 2007; Patten, 1991; Roberts & Koeplin, 2007) and multiple companies across multiple countries (Adams & Kuasirikun, 2000; Chen & Bouvain, 2009). Unfortunately, differences in sample selection and the method of measurement have often made the comparison of studies difficult.

Single company longitudinal studies have examined the CSR reporting practices of companies in Australia and the United States. Guthrie and Parker (1989) reviewed the reporting practices of an Australian company, BHP Ltd. from 1885-1985. A separate study examined the period from 1983-1997 (Deegan, Rankin & Tobin, 2002). Both studies showed CSR reporting practices to be extremely variable. Rather than a consistent pattern of growth, disclosures fluctuated over time between growth and decline. The intervals between peaks in disclosure volume also varied widely. In fact, researchers found little relationship between timing of observed peaks and key economic events affecting BHP (Deegan et al., 2002; Guthrie & Parker, 1989). Hogner’s (1982) study of US Steel produced similar results.

An examination of single country studies has shown that, over time, both the type and volume of CSR disclosures vary substantially between companies (Brammer & Pavelin, 2008; Campbell, Craven & Shrives, 2003; Deegan & Gordon, 1996; Ho & Taylor, 2007; Patten, 1991; Roberts & Koeplin, 2007). The variance in volume and type of disclosure observed across studies is believed to be associated with firm size (Cormier & Gordon, 2001; Cormier, Gordon & Magnan, 2004), the industry (Patten, 1991) and the ownership of the firm (Cormier & Gordon, 2001).
Results from a comparative analysis of firms across two or more countries also showed problems with generalizability (Adams & Kuasirikun, 2000). For example, CSR reporting by British and German companies in the chemical and pharmaceutical industries revealed differences in both the amount and type of disclosures across countries. The magnitude of difference between countries, however, was difficult to interpret due to incongruity between the samples with regard to industry size and composition (Adams & Kuasirikun, 2000).

Chen and Bouvain (2009) compared CSR reporting across firms in the United States, the United Kingdom, Australia and Germany. The authors found significant differences between countries in how frequently the terms society, community and customer were mentioned in reports. There were also significant differences between industries in the frequency of environmental issues. The use of third party assurance was also examined and significant differences were observed (Chen & Bouvain, 2009). In cross-country comparisons, the influence of culture, political pressure and other contextual factors was evident (Adams, 2002).

Descriptive studies have played an important role in shaping the overall body of CSR disclosure research. Variances in the volume, quality and type of disclosures have led researchers to try and better understand the factors that contribute to the observed differences. Across studies, firm size and industry classification have been highly correlated with the firm’s CSR disclosure volume. As a result, both of these have been used as control variables in other studies. Contextual factors have also been revealed that deserve greater attention (Adams, 2002).
Impact of Corporate Social and Financial Performance on Disclosure

As described earlier, scholarly interest in CSR performance preceded disclosure research. Given that fact, it is not surprising that researchers would be interested in understanding whether a relationship exists between performance and the volume and quality of CSR disclosures. Thus far, studies that focused on the association between social disclosures and social performance have produced inconsistent results. For example, Ingram & Frazier (1980) suggested a weak association between social performance and the level of CSR disclosure while Wiseman (1982) suggested no relationship at all. In reviewing the body of past research, Roman, Hayibor and Able (1999) proposed that the number of studies that suggest a negative relationship is overstated and that the relationship is actually positive to neutral.

Little interest was shown in the determinants of CSR reporting before Ullmann’s (1985) conceptual framework was proposed. That framework provided a more robust explanation for the relationship between performance and disclosure. It placed a heavy emphasis on stakeholder theory and helped scholars begin to understand the theoretical underpinnings of CSR disclosure. As a result, more researchers became interested in the topic and began to examine the determinants of CSR disclosure. Today, Ullmann’s influence continues to be seen with frequent citations of his work.

Determinants of Reporting

Following Ullmann (1985), disclosure research focused on the determinants of CSR disclosure volume and quality. While a broad array of independent variables has been examined, researchers have tended to focus on only a small number of variables in a given study rather than look at larger constructs. For example, Cowen, Ferreri & Parker
(1987) sought to understand the relationship between individual corporate characteristics and the types of CSR disclosure made by a company. Consistent with previous studies, both size and industry category appeared to have some influence. Additionally, the presence of a CSR committee was shown to also have an effect.

Another study examined a series of financial determinants and environmental disclosure volume (Cormier & Magnan, 1999). The results revealed a positive relationship between a firm’s risk, its reliance on capital markets and its trading volume and the dependent variable of disclosure volume. Concentrated ownership was negatively related to disclosure volume.

While financial determinants continue to be included in many studies, some scholars have examined unique variables. In a study focused on Spanish companies, Reverte (2009) included industry environmental sensitivity, international listing, media exposure and leverage as independent variables. Each was positively related to disclosure volume. In another study, Gamerschlag et al. (2011) included company visibility, profitability, share ownership structure and a company's relationship with its stakeholders in the United States as independent variables in their study. All, except for profitability, were related positively to the volume and quality of CSR disclosures.

**Two Competing Theoretical Models**

Ullmann (1985) was the first to propose a theoretical model to explain the broader determinants of CSR disclosures. Given the model’s origins, it is not surprising that it relied heavily on performance. The model consisted of three high level constructs: stakeholder power, strategic posture and past and present economic performance.

The first construct, stakeholder power, was based on earlier work by Keim (1978)
who suggested that investors, acting out of self-interest, would encourage social action from which they would derive benefit. This construct describes the power of stakeholders to control resources critical to the organization and suggests the firm is forced to respond in a way that satisfies stakeholders’ demands. While Ullmann (1985) focused on the power of stakeholders, he was primarily interested in stockholders. This was because of their ability to control critical resources.

Strategic posture, the second construct, described the approach managers take in responding to stakeholder’s demands. Ullmann (1985) suggests that this can either be passive or active. This is consistent with Sethi’s (1974) model of corporate social performance that includes social obligation, social responsibility and social responsiveness. A passive posture would reflect social obligation and an active posture would reflect social responsiveness (Carroll, 1999). Ultimately, Ullmann was interested in how a firm chooses to strategically influence its key stakeholders in its efforts to achieve interdependence.

The final construct, past and present financial performance, dictates how much attention social issues get from the firm’s leadership. Financial performance also helps determine the firm’s ability to meet stakeholder demands. Ullmann (1985) suggests that the interactions among the three constructs will determine if CSR performance or CSR disclosure is used to manage relationships with stakeholders.

Roberts (1992) applied Ullmann’s (1985) theoretical model as a means to understand the determinants of CSR disclosure. The dependent variable chosen by Roberts as a proxy for CSR disclosure was the rating each of the 130 participating companies received in a 1986 study conducted by the Council on Economic Priorities.
Three independent variables were selected to represent and assess stakeholder power. Previous research suggested that dispersed ownership heightened pressure for management to disclose CSR activities (Ullmann, 1985). As a result, one independent variable chosen for inclusion was the percentage of shareholders and owners who held more than 5% of common stock in the period prior to disclosure. The amount of funding contributed to a corporate political action committee (PAC) in the period prior to the CSR disclosure was included as a second variable. It was chosen because it was considered to be representative of stakeholder power resulting from regulatory and political pressure. The third variable chosen was the debt to equity ratio in the period prior to the CSR disclosure. This variable was included because it was believed that the more dependent the firm was on debt financing, the greater the firm’s response to creditors’ expectations. Of these variables, only PAC contributions (p < .05) and debt-equity ratio (p < .10) were shown to be significant in predicting CSR disclosure.

Roberts (1992) then used two variables to represent Ullmann’s (1985) strategic posture construct. It had been assumed that companies that take an active posture toward CSR require a large public affairs staff (Marcus & Kaufman, 1988). Given this assumption, the average size of the public affairs staff from 1983-1984 was included as one variable representing strategic posture. Since the existence of a corporate-funded philanthropic foundation demonstrated an active posture toward CSR, a dichotomous variable was used to denote the existence of such a foundation from 1983-1984. Both variables were found to be significant; the existence of a philanthropic foundation was highly significant at .001.
Ullmann’s (1985) third construct was past and present financial performance. Roberts (1992) proposed using both an accounting measure (return on equity) and a stock market based measure (systemic risk) to test the relationship between economic performance and the level of disclosure. Return on equity was significantly related at \( p < 0.05 \) and systemic risk was significantly related at \( p < 0.10 \). There were also three other measures: age of the corporation, industry classification and company size. Only age (\( p < .01 \)) and industry (\( p < .05 \)) had the expected positive relationship.

Adams (2002) offered an alternative theoretical model to explain the factors that determine a firm’s CSR disclosure strategy. This new model also organized the variables into three high-level constructs: (1) corporate characteristics, (2) general contextual factors and (3) internal contextual factors. Adams (2002) model was influenced by research that preceded her model. Since it was proposed, it has served to influence the individual variables researchers have examined.

Of Adam’s (2002) three constructs, the corporate characteristics construct has been studied frequently. Company size (e.g. Adams et al., 1998; Boesso and Kumar, 2007; Brammer & Pavelin, 2008; Cormier, Gordon & Magnan, 2004; Cowen et al., 1987; Hackston & Milne, 1996; Ho & Taylor, 2007; Reverte, 2009) and industry group or classification (e.g. Adams, Hill, & Roberts 1998; Cowen et al., 1987; Deegan & Gordon, 1996; Hackston & Milne, 1996; Islam & Deegan, 2010; Nikolaeva & Bicho, 2011; Patten, 1991; Roberts, 1992) have produced consistent results and have been shown to be positively related to the volume and quality of CSR disclosures. Results have suggested corporate age, systemic risk and lagged profit are also related positively (Roberts, 1992).
Profit in the same period, however, has failed to produce consistent results across studies (e.g. Belkaoui & Karpik, 1989; Brammer & Pavelin, 2008; Choi, Kwak & Choe, 2010; Cowen et al., 1987; Ismail & Chandler, 2005; Neu et al., 1998; Reverte, 2009; Patten, 1991).

The construct that Adams (2002) described as general contextual factors includes the combined effect of social, political, economic and cultural factors, as well as the influence of time, world events, stakeholder power and media. Adams (2002), however, noted that these factors can be difficult to measure and their effects difficult to isolate. It can also be difficult to understand what if any relationships exist between the factors. Variables that might also apply within this construct are political and economic turbulence (Berthon et al., 2008; Haleblian & Finkelstein, 1993; Hristache & Iacob, 2012), disclosures on the Web (Joshi & Gao, 2009) and media pressure (Islam & Deegan, 2010, Zyglidopoulos et al., 2012).

Internal contextual factors include attitudes that influence the firm’s reporting strategy or internal processes that influence the preparation of the CSR report (Adams, 2002). Only two studies that focused on CSR disclosures have explored corporate leadership as a variable. Campbell (2000) looked at changes in the company chairperson while Cowen et al. (1987) focused on a defined committee that focused on CSR reporting within the Board of Directors. Adams (2002) went on to suggest additional variables that might adequately represent internal contextual factors. Corporate structure and governance procedures, involvement of accountants and involvement of stakeholders were identified as additional process factors while views on reporting practices, perceived costs and benefits of reporting and corporate culture were identified as possible
attitudinal factors. While the constructs and resulting variables are grounded in theory, it is important to keep in mind that this model has not been examined empirically in the literature.

**A Shifting Environment**

There have been numerous environmental changes since Ullmann (1985) and Adams (2002) proposed their theoretical models. It is unclear what impact this environmental turbulence might have on the determinants of CSR reporting and the quantity and quality of CSR disclosures. It is also not known how the firm’s disclosure strategy may be affected.

Corporate scandals and perceived greed associated with Enron, AIG, BP, Goldman Sachs and WorldCom have fostered a growing skepticism about corporate motives and actions (Arvidsson, 2010). Over the past decade, trust in corporate America has fallen to an all-time low (Edelman, 2009; Waddock & Googins, 2011). As a result, stakeholders desire for authenticity, accountability and transparency have increased (Becchetti, Ciciretti, Hasan & Kobeissi, 2012; Holder-Webb et al., 2009; Waddock & Googins, 2011; Wagner, Lutz & Weitz, 2009). These growing expectations may reflect an increase in the strength of stakeholders and their role in helping change how society defines legitimacy.

With increased awareness about climate change and increased attention to corporate business practices, society’s concern about the environmental, social and ethical commitment of business has also increased (Arvidsson, 2010). Actions have been taken at both national and international levels to help ensure that better corporate governance leads to an improved relationship between business and society (Arvidsson,
This suggests that institutions may play an increasing role and reflects the need to more fully examine the role of both stakeholders and institutions in influencing CSR disclosure strategy.

The environment that business operates in has also become more turbulent. Beginning in 2008, the world’s economies began to experience a significant economic downturn with threats of default by debt-ridden nations like Greece, Ireland, and Portugal (Ivashina & Scharfstein, 2010; Kennedy & Neuger, 2012). Political discontent has led to protests and changes in governments and there have been increased calls for greater accountability among businesses (Kolk & Perego, 2010). Interest in sustainability has also grown (Dilling, 2010) and social media has taken a dominant role in the way we communicate (Berthon et al., 2012). While Adams (2002) suggested that social, political, cultural and economic context could play a role in influencing a firm’s CSR reporting, these factors were not empirically tested. This suggests a knowledge gap regarding the role of these contextual factors in influencing a firm’s disclosure strategy. This gap could be addressed by examining the role of certain institutional measures of environmental turbulence as determinants.

In addition to changes in the external environment, there has also been a major shift in the way data can be collected and analyzed. In past studies, content analysis has often been used to assess the quantity and quality of the reporting. This is often done by counting the words, sentences, paragraphs or pages devoted to CSR disclosures in the firm’s annual report or on the company’s website. This method is time consuming.
As a result, it has resulted in the examination of only a small number of disclosures (e.g. Brammer & Pavelin, 2008; Cowen et al., 1987; Deegan & Gordon, 1996; Roberts, 1992; Patten, 2002).

The limitations of content analysis have often led scholars to reduce the scope of their research to a single type of disclosure (Brammer & Pavelin, 2008; Cowen et al., 1987; Deegan & Gordon, 1996; Patten, 2002; Roberts, 1992). For example, some research has focused on social disclosures (e.g. Abbott & Monsen, 1979; Bebbington et al., 2008; Campbell et al., 2003: O’Dwyer, 2002; Patten, 1991; Ullmann, 1985) while other research has focused almost exclusively on environmental reporting (e.g. Brammer & Pavelin, 2008; Cormier et al., 2005: Wiseman, 1982). Past research has also been limited geographically to countries like Japan, Germany, Italy, Portugal, Spain, the United Kingdom and the United States (e.g. Adams & Kuasirikun, 2000; Boesso & Kumar, 2007; Gray et al., 1995; Ho & Taylor, 2007; Gamerschlag et al., 2011; Patten, 2002; Reverte, 2009; Roberts & Koeplin, 2007). Researchers have tended to examine CSR disclosures in a single country or across a small group of countries rather than across a large multi-country sample (e.g. Adams & Kuasirikun, 2000; Boesso & Kumar, 2007; Chapple & Moon, 2005; Cormier, Gordon & Magnan, 2004; Gray et al., 1995; Ho & Taylor, 2007; Gamerschlag et al., 2011; Patten, 2002; Reverte, 2009; Roberts & Koeplin, 2007.) Finally, the limitations of content analysis have made it difficult to examine more than a single year of reporting across a series of firms (Cormier, Magnan & Van Velthoven, 2005; Gamerschlag et al., 2011).

Improved technology has helped eliminate some of the issues associated with early content analysis and has made disclosures more accessible to researchers who want
to analyze both quantity and quality. Electronic tools that help eliminate issues of inter-rater reliability can now be used to carry out content analysis (Chen & Bouvain, 2009). At the same time, normative standards for CSR and guidelines for CSR disclosures have also begun to shape corporate practices as the environment in which companies find themselves continues to evolve (KPMG, 2011). The use of reporting standards has also helped create more uniform disclosures across geographic boundaries by creating a benchmark for reporting (KPMG, 2011; Sherman, 2009). Limited attention has been paid to the impact that these normative standards may have on CSR disclosures.

There are multiple frameworks for voluntary CSR communication and disclosure, which provide companies with latitude in choosing issues on which to report (Chen & Bouvain, 2009). Of these frameworks, the GRI’s G3 Guidelines, which were released in late 2006, are used most often (Chen & Bouvain, 2009; Waddock & Googins, 2011). Today, more than 1000 firms globally report their social, environmental and economic impact according to GRI (Arvidsson, 2010).

The G3 Guidelines include reporting indicators that provide a platform for reporting a firm’s economic, environmental and social impact. The Guidelines rely on a series of application levels which allow companies to communicate to stakeholders the specific elements of the GRI Reporting Framework that have been applied in their disclosures. Organizations have flexibility to decide which principles and indicators to use and to what extent they wish to apply the Guidelines. Additionally, the standards provide firms with the ability through assurance to communicate to stakeholders that certain requirements have been met (Gamerschlag et al., 2011; GRI, 2012; Moneva et al., 2006).
GRI Guidelines

Firms that rely on the GRI Guidelines to guide their disclosure strategy are faced with three strategic three decisions. First, the firm must choose whether to declare a specific application level in reporting its CSR activities or merely reference the principles from the GRI framework. Second, the firm that chooses to declare an application level must determine how much it wishes to disclose and which level it wishes to declare. Finally, a firm must decide whether it will have the disclosure reporting assured by a third-party.

The GRI Guidelines contain three different types of disclosures: a profile and strategy overview, a summary of the firm’s management approach and performance indicators. Together, these help set the context for understanding the firm’s strategy and its approach to CSR. Performance indicators help describe the firm’s economic, environmental and social performance. Labor, human rights, society and product responsibility also offer greater insight into the firm’s social performance. (GRI, 2011; Sherman, 2009)

Each category has a corresponding set of core and additional performance indicators that are described in more detail in Appendix B. Core Indicators are generally applicable across region and sector and have been developed through GRI’s multi-stakeholder processes (GRI, 2011; Nikolaeva & Bicho, 2011). Topics that may be material for some organizations, but not for others or those that would be considered emerging are labeled as additional indicators (GRI, 2011).

The three G3 application levels are labeled A, B or C. Application level C is
intended for organizations at the entry level of reporting. These organizations meet the minimum reporting criteria of 10 core performance indicators and have included economic, environmental and social indicators in the firm’s CSR report. Organizations at application level B have not only demonstrated an increasing application of the reporting framework, these organizations have policies in place to guide sustainability performance. Application level B requires an organization to report on 20 core performance indicators. In addition to the economic, environmental and social indicators, the organizations have also included labor practices and decent work, human rights and product responsibility indicators in the CSR report. Those organizations with an application level A reflect the broadest application of the GRI Guidelines. As such, at this level, all 50 GRI core performance indicators must be represented, either with data or a valid explanation for why the indicator is not reported (GRI, 2011; Sherman, 2009). Additionally, any firm that has utilized external assurance may self-declare a “plus” (+) with any one of the three application levels (GRI, 2011). This multi-dimensional framework provides stakeholders with an easy way to understand which elements of the GRI reporting framework a company has applied. It also includes affirmation of assurance that a firm is operating within society’s expectations.

Every three years, KPMG conducts an international survey that examines CSR-related information from hundreds of companies. Since 1993, the survey has tracked both historic trends and emerging issues in CSR reporting. The survey provides data from the top 250 companies listed on the Fortune Global 500 (G250). It also includes the 100 largest companies by revenue (N100) from 22 countries. A listing of those countries is provided in Table 5.
Table 5
Countries in the N100

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In 2005, only 50% of the G250 companies reported on CSR initiatives. Both the 2008 and 2011 KPMG surveys showed significant increases to 81% and 95% respectively. The number of reporting companies that followed the GRI Guidelines from both the G250 and the N100 grew as well. In 2008, 77% of the G250 followed the GRI Guidelines and this number increased to 80% by 2011. Of the N100 companies, 69% followed the GRI Guidelines in both 2008 and 2011 (KPMG, 2011, 20).

It has been suggested that slow adoption rates for the GRI and lower-than-desired compliance levels imply that the business case for reporting is elusive (Gray, 2006). The introduction of the GRI G3 Guidelines seemed to challenge that assumption and adoption of the reporting standards began to increase. Use is also more widespread geographically and now includes both the developed and developing world (KPMG, 2011). These results, however, did not come without a significant investment of time and money to promote the guidelines around the globe.
Hypothesis Development

Reporting practices have evolved since Ullmann (1985) and Adams (2002) proposed their models. Normative standards like the GRI Guidelines have helped create more uniform CSR disclosures across geographic boundaries, but the firm is still left to make key strategic choices about its disclosure strategy. The GRI G3 provides the firm with guidance as to what should be reported and how it should be reported. Ultimately, the firm must determine the application level and whether or not to have third-party assurance to communicate to stakeholders that certain requirements have been met (Gamerschlag et al., 2011; GRI, 2012; Moneva et al., 2006).

It is unclear how all of these factors influence a firm’s disclosure strategy and ultimately, the quantity and quality of CSR reporting. Holder-Webb, Cohen, Nath and Wood (2009) call for future research that explores the determinants of CSR reporting. There is also a need to assess a broader and more representative sample of firms across industries (Sweeney & Coughlan, 2011). This current research responds to these calls for additional investigation in today’s dynamic marketplace with the primary objective of answering the following major research question.

RQ: What factors are determinants of a company’s CSR disclosure strategy?

Conceptual Model and Hypotheses

A new model is proposed here that could be useful to both scholars and practitioners. It utilizes constructs from Ullmann (1985) and Adams (2002) along with two new constructs. Corporate characteristics were included as a key construct by Adams (2002) and the firm’s financial profile was included as a key construct by Ullmann (1985). These two constructs will be used to replicate past research, while two
other constructs will serve to extend it.

Instead of merely focusing on the stakeholders’ power to control resources, this research will build upon Ullmann’s (1985) model by examining the involvement of the firm’s stakeholders. It will also build upon Adams (2002) model by examining both national and industry focused measures that exemplify environmental turbulence. This research provides more specificity than Adams (2002) model, which focused broadly on general contextual factors. It also extends the literature because it draws upon a theoretical framework that includes legitimacy, institutional and stakeholder theories.

The firm’s CSR disclosure strategy is comprised of the GRI G3 levels and the firm’s decision to seek third-party assurance. While GRI application levels have not been examined in past research, they do represent a fundamental choice that firms must make in executing their disclosure strategy. The second construct is the presence or absence of third party assurance. This is considered a key strategic decision because CSR disclosures may have more legitimacy if reviewed and assured by an independent third party. This is similar to financial data that are viewed as reliable because of the auditing process (Holder-Webb et al., 2009). The presence or absence of third party assurance is also included in the data reported to GRI. Determining whether or not to pursue third party assurance is an important decision the firm must make in determining its disclosure strategy. Taken together, these provide a simple and uniform method by which to reflect the quality of a firm’s CSR disclosure strategy. (See Figure 1 in Chapter 1.)

**Non-financial corporate characteristics.** The determinants of reporting are explained by four constructs. The first of these, non-financial corporate characteristics, includes items described by Adams (2002) including corporate structure and governance
procedures, involvement of accountants and involvement of stakeholders as additional process factors. Views on reporting practices, perceived costs and benefits of reporting and corporate culture were identified as possible attitudinal factors. Legitimacy, stakeholder and institutional theories all support this construct.

Past research has examined industry membership (Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991; Roberts, 1992), corporate age (Roberts, 1992), corporate size (Adams et al., 1998; Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991), business complexity (Boesso & Kumar, 2007), country of origin (Cowen et al., 1987, Guthrie & Parker, 1990) and percentage of ownership held by management and shareholders holding more than 5% (Brammer & Pavelin, 2008; Cormier, Magnan & Van Velthoven, 2005; Roberts, 1992). Each of these could serve as possible variables to assess the relationship between this construct and the firm’s CSR disclosure strategy. Other potential variables include the presence of a CSR reporting committee within the board of directors, corporate governance structure as defined by the ratio of independent board members and the total number of board members (Boesso & Kumar, 2007; Cowen et al., 1987).

Consistent with prior research, four variables have been chosen to represent these non-financial corporate characteristics. They include the firm size (Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005), firm age (Roberts, 1992), the presence of a board level CSR committee (Cowen et al., 1987) and the corporate governance structure (Boesso & Kumar, 2007). Legitimacy, stakeholder and institutional theories all support this construct.
**Firm Size.** Given the increased scrutiny larger firms receive from stakeholders; the size of a company is believed to be related to CSR activities. Larger companies are also believed to have more resources that can be directed to the disclosure of CSR activities. As a result, firm size has been examined in past research and been shown to be positively related to the quantity and quality of CSR disclosures (Adams et al., 1998; Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991). Company size has been measured in a variety of different ways; including number of employees (Boesso & Kumar (2007), total asset value (Gamerschlag et al. (2011), sales volume (Fortanier, Kolk & Pinkse, 2011) and Fortune 500 rank (Cowen et al., 1987).

Hypothesis 1a: There is a positive relationship between the firm’s size and the GRI application level it chooses to declare.

Hypothesis 1b: There is a positive relationship between the firm’s size and the firm’s choice of third party assurance.

**Firm age.** Older firms are believed to have a more established reputation, which would in turn make them more likely to report their CSR activities than newer firms. The majority of studies that have examined the relationship between firm age and CSR disclosures have found a positive relationship (Bayoud, Kavanagh & Slaughter, 2012; Dhaliwal et al., 2012; Roberts, 1992). One study, which examined the relationship between the firm’s age and environmental disclosure, produced an opposite effect and the relationship was shown to be negative (Liu & Anbumozhi, 2009). It is important to note that firm age in that study was defined as the length of time that the company had been listed on the Chinese stock exchange. Given these conflicting results and our intention to examine CSR disclosure strategies rather than the level of environmental disclosure, it is
necessary to examine this relationship. Based on the majority of findings, age is expected to be directly related to firm’s CSR disclosure strategy.

Hypothesis 2a: There is a positive relationship between the firm’s age and the GRI application level it chooses to declare.

Hypothesis 2b: There is a positive relationship between the firm’s age and the firm’s choice of third party assurance.

**Business complexity.** Some scholars have suggested that the complexity that results from geographic or business unit diversification leads many firms to be less transparent (Bushman, Chen, Engel, & Smith 2004; Ge & McVay, 2010). Others have suggested that increased levels of business complexity lead to increases in the flow of information (Boesso & Kumar, 2007; Dilling, 2010; Healy & Palepu, 2001). Despite these opposing viewpoints, the relationship between business complexity and the volume and quality of CSR disclosures were examined and found to be significant (Boesso & Kumar, 2007; Dilling, 2010). Given the increased complexity of business and the expectations of stakeholders, the relationship between business complexity and CSR disclosure strategy will be examined. Both the number of operating segments and geographic segments within a firm has been used previously to measure business complexity (Ge & McVay, 2010).

Hypothesis 3a: There is a positive relationship between the firm’s business complexity and the GRI application level it chooses to declare.

Hypothesis 3b: There is a positive relationship between the firm’s business complexity and the firm’s choice of third party assurance.

**Board level CSR committee.** The presence of a board level committee focused on
CSR has been examined previously in relation to social disclosure. It was believed that the influence of this committee could lead to increased volume of reporting. However, the only effect that was shown was with the volume of human resource related disclosures (Cowen et al., 1987). Given the role of the board and its interest in the firm’s strategy, it is hypothesized here that such a committee would likely have a greater effect on the firm’s CSR disclosure strategy.

Hypothesis 4a: There is a positive relationship between the presence of a board level CSR committee with the firm and the GRI application level it chooses to declare.

Hypothesis 4b: There is a positive relationship between the presence of a board level CSR committee with the firm and the firm’s choice of third party assurance.

**Corporate governance structure.** Corporate governance structures have shifted beyond their traditional focus. Boards of directors are increasingly expected to address the needs of both shareholders and other stakeholders who may be impacted by the firm (Boesso & Kumar, 2007; Eng & Mak, 2003; Prado-Lorenzo et al., 2009; Zahra & Stanton, 1988). In corporate governance structures, independent directors are uniquely qualified to monitor the actions of the firm’s corporate managers and help ensure all stakeholders are represented (Boesso & Kumar, 2007; Eng & Mak, 2003; Fama & Jensen, 1983; Kaplan & Minton, 1994; Prado-Lorenzo, et al., 2009). Because of this, scholars have suggested that firms with a higher ratio of independent board members to the total number of board members may be more likely to provide a higher quantity and
quality of disclosures for stakeholders (Eccles et al., 2001).

Hypothesis 5a: There is a positive relationship between the firm’s corporate governance structure and the GRI application level it chooses to declare.

Hypothesis 5b: There is a positive relationship between the firm’s corporate governance structure and the firm’s choice of third party assurance.

**Financial performance of the firm.** Firm financial performance, the model’s second construct, is included to varying degrees in the models proposed by both Ullmann (1985) and Adams (2002). In Ullmann’s model, the firm’s financial performance serves as a distinct construct. With Adams, financial performance falls under corporate characteristics. This construct finds its theoretical support in both legitimacy and institutional theories.

Prior research has examined the impact of return on assets (Patten, 1991, Hackston & Milne, 1996), one year lagged return on assets (Patten, 1991), change in net income from the previous period (Patten, 1991), systematic risk – Beta (Roberts, 1992) and the firm's annual stock market return (Cormier, Magnan & Van Velthoven, 2005) on the volume and quality of CSR disclosures. This relationship has been previously examined using several different variables. However, results have been mixed. The variables that have been used include return on equity (Roberts, 1992), current return on assets (Hackston & Milne, 1996; Patten, 1991), one year lagged return on assets (Gray, et al, 1995; Hackston & Milne, 1996; Patten, 1991; Roberts, 1992) and systemic risk (Roberts, 1992).
**Lagged return on equity.** Current return on equity (ROE) seemingly has no relationship to the volume or quality of CSR disclosures (Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991). One year lagged return on equity based on the prior year has not been shown to be related (Patten, 1991). Results with other measures of lagged profits have varied, but most have shown no relationship (Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991; Roberts, 1992). However, there are two notable exceptions. Of those studies, one has shown a negative relationship (Patten, 1991). The other study (Roberts, 1992) showed a positive relationship between profitability and CSR disclosures using the average growth in return on equity over four years.

Prior results suggest that there would be no relationship between either current or one year lagged ROE and the firm’s CSR disclosure strategy. A longer lag time of 4 years, however, has been shown to be positive (Roberts, 1992). While past results have been mixed, there may be some relationship between financial performance over several periods and the timing of strategy development (Cormier et al., 2004).

Hypothesis 6a: There is a positive relationship between the firm’s average growth in return on equity, over the 4-year period prior to reporting and the GRI application level it chooses to declare.

Hypothesis 6b: There is a positive relationship between the firm’s average growth in return on equity, over the 4-year period prior to reporting and the firm’s choice of third party assurance.

**Systematic risk – Beta.** Research suggests a negative relationship exists between systematic risk and the level of social disclosure (Roberts, 1992). This is consistent with prior findings that showed evidence of a relationship between the firm’s CSR activities...
and its improved access to capital (McGuire, Sundgren & Schneeweis 1988; Moskowitz, 1972). With reduced systematic risk, capital markets may view firms that have a strategy to report CSR disclosures at the highest level as more legitimate and less risky.

Hypothesis 7a: There is a negative relationship between the firm’s systematic risk and the GRI application level it chooses to declare.

Hypothesis 7b: There is a negative relationship between the firm’s systematic risk and the firm’s choice of third party assurance.

**Stakeholder involvement.** In Ullman’s (1985) model, the concept of stakeholder power is focused on the ability to control resources. However, the variables that were later tested by Roberts (1992) seem to speak less to the power of the stakeholder and more to the firm’s involvement with stakeholders. These variables included the number of public affairs staff members (Roberts, 1992), the level of corporate philanthropy and corporate sponsorship of a philanthropic foundation (Roberts, 1992), government fines (Huang & Kung, 2010; Neu et al., 1998), print and online media exposure (Cormier et al., 2005; Neu et al., 1998) and corporate reputation (Bebbington et al., 2008; Othman et al., 2011).

The global marketplace is increasingly complex. Companies face an increasing number of obstacles that have the potential to influence both their reputation and their financial success (Crittenden, Crittenden, Ferrell, Ferrell & Pinney, 2011). Given these challenges and the increased need for firms to gain support from stakeholders, a more representative set of variables are required to measure stakeholder involvement (Donaldson & Preston, 1995). This construct builds upon Ullmann’s (1985) theoretical model and the original research of Roberts (1992) and is supported by stakeholder theory.
**Number of stakeholders referenced.** Stakeholder theory suggests that firms interact with multiple stakeholders in the course of operating. Scholars have suggested that stakeholder interactions create greater risk for the firm, which requires managers to engage in more comprehensive reporting (Clarkson, 1995; Freeman, 1984; Hult, Mena, Ferrell & Ferrell 2011). The stakeholder’s influence on the firm’s strategy and its allocation of resources would then be reflected in content of the reports (Hill & Jones, 1992; Jones, 1995).

One study examined the relationship between stakeholder pressure and the level of social disclosure (Kateb, 2012). In the study, which included 200 French firms, the number of contractual and diffuse stakeholders mentioned in the president’s message of CSR disclosures was the independent variable. The results indicated that there was no relationship between the number of stakeholders and the level of reporting (Kateb, 2012). Despite this result, stakeholder theory suggests that the multiple stakeholders may create greater risk, which could potentially impact the firm’s CSR disclosure strategy (Clarkson, 1995; Freeman, 1984; Hult, Mena, Ferrell & Ferrell 2011; Zyglidopoulos et al., 2012). Given the tenets of stakeholder theory and the difference in dependent variables being examined here, a relationship may exist between the number of stakeholders referenced and the firm’s disclosure strategy.

**Hypothesis 8a:** There is a positive relationship between the number of stakeholders a firm references in its CSR disclosure and the GRI application level it chooses to declare.

**Hypothesis 8b:** There is a positive relationship between the number of stakeholders a firm references in its CSR disclosure and the
firm’s choice of third party assurance.

**Corporate sponsorship of a philanthropic foundation.** Corporate philanthropy is one of the four primary CSR dimensions described by Carroll (1991). Some have argued that corporate philanthropy has been used as a way to secure legitimization (Ashforth & Gibbs, 1990; Chen, Patten & Roberts, 2008). A corporate philanthropic foundation provides the firm with a means to make strategic contributions (Rosebush, 1987). The relationship between corporate sponsorship of a philanthropic foundation and the firm’s level of social disclosure has also been examined in previous research and found to be highly significant (Roberts, 1992). Since Roberts examined this relationship, others have examined the relationship between charitable giving and social performance. However, those studies have looked at the actual contribution level rather than whether a firm had a corporate charitable foundation (Chen, Patten & Roberts, 2008).

Hypothesis 9a: There is a positive relationship between the firm’s corporate sponsorship of a philanthropic foundation and the GRI application level it chooses to declare.

Hypothesis 9b: There is a positive relationship between the firm’s corporate sponsorship of a philanthropic foundation and the firm’s choice of third party assurance.

**Media exposure.** Media exposure has been previously examined as a measure of society’s interest in a company’s CSR activities, specifically those focused on the environment (Aerts, Cormier & Magnan, 2006; Brammer & Pavelin, 2006; Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005; Kennedy, 2008; Neu et al., 1998, Zyglidopoulos et al., 2012). This variable is represented by the number of news
items produced about the firm in a given year. Data in past studies have been drawn from the Factiva (Brammer & Pavelin 2008), ABI/Inform (Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005) and Lexis/Nexis databases (Nikolaeva & Bicho, 2011).

One limitation of these databases is that they do not include forms of social media like Twitter and blogs. Social media analysis tools like Edelman’s TweetLevel and BlogLevel do exist to analyze these mediums, however, they have only been used in academic research on a limited basis and have multiple limitations (Solis & Webber, 2012; Tinati, Carr, Hall & Bentwood, 2012).

**Hypothesis 10a:** There is a positive relationship between the firm’s media exposure and the GRI application level it chooses to declare.

**Hypothesis 10b:** There is a positive relationship between the firm’s media exposure and the firm’s choice of third party assurance.

**Corporate reputation.** Reputational risk and reputational benefit are mentioned twenty-six times in the GRI G3 Guidelines (GRI, 2012). Each reference is made to convey the importance of CSR activities and suggest the benefit of disclosing those activities. Scholars have also suggested there is a need for strategically focused CSR disclosures. These allow the firm to communicate with stakeholders about what is being done to manage a wide range of environmental, social and economic risks. This, however, has only been minimally examined (Bebbington et al., 2008; Friedman & Miles, 2001; Unerman, 2008). Examining this variable would also build upon the models proposed by Ullmann (1985) and Adams (2002).

**Hypothesis 11a:** There is a positive relationship between the firm’s corporate reputation and the GRI application level it chooses to declare.
Hypothesis 11b: There is a positive relationship between the firm’s corporate reputation and the firm’s choice of third party assurance.

**Environmental turbulence.** The fourth dimension of the model is environmental turbulence which is commonly defined as the loss of stability created by difficult to predict environmental changes (Berthon et al., 2008; Halebian & Finkelstein, 1993; Hristache & Iacob, 2012). This is an example of institutional pressures described in the literature (Jackson & Apostolakou 2010) and consists of both economic and political turbulence. Both forms of turbulence have been measured using a variety of variables. While these factors can be difficult to measure, a variety of variables have been described in the literature by management, economics and political science scholars that would be appropriate.

While this dimension represents a subset of the general contextual factors described by Adams (2002), it goes well beyond what had been previously described in the literature. This research provides more specificity in terms of the variables. It also includes both national and industry focused measures, which builds upon previous research.

**Economic turbulence.** Economic turbulence has often been described in the literature as rapid, unpredictable changes to the environment that affect corporate performance (Hristache & Iacob, 2012). More specifically, the term has been used to refer to both national level changes and to industry level changes (Akhter & Daly, 2009; Deephouse & Wiseman, 2000; Ljungqvist & Sargent, 1998, 2004; Rissman, 1997). Because of its unpredictability, economic turbulence presents significant challenges to
the firm, but it may be beneficial. That is, more mature organizations may emerge from economic turbulence better prepared to build or strengthen an existing competitive advantage (Hristache & Jacob, 2012).

Some scholars have examined economic turbulence in terms of national level changes to gross domestic product, unemployment, inflation and/or interest rates (Akhtar & Daly, 2009; Deephouse & Wiseman, 2000; Ljungqvist & Sargent, 1998, 2004; Rissman, 1997). Others have focused on industry level changes as a means to demonstrate instability in the environment and a variety of measures have been suggested. These include industry concentration, product dynamism, industry vulnerability, demand instability and market share instability (Haleblian & Finkelstein, 1993, Hambrick, 1983, Hambrick & Abrahamson, 1995). Given that both economic measures and industry focused measures have been used, both types are reflected in the hypotheses.

Hypothesis 12a: There is a positive relationship between standard deviation of per capita GDP growth and the GRI application level it chooses to declare.

Hypothesis 12b: There is a positive relationship between standard deviation of per capita GDP growth and the firm’s choice of third party assurance.

Hypothesis 13a: There is a positive relationship between performance risk and the GRI application level it chooses to declare.

Hypothesis 13b: There is a positive relationship between performance risk and the firm’s choice of third party assurance.
Hypothesis 14a: There is a positive relationship between demand instability and the GRI application level it chooses to declare.

Hypothesis 14b: There is a positive relationship between demand instability and the firm’s choice of third party assurance.

Political turbulence. Political turbulence has been examined using components from the International Country Risk Guide (ICRG) to assess political risks for a firm’s country of origin (Adsera et al., 2003). The ICRG is based on the observations of country level experts who assess each country based on twelve components of political risk (International Country Risk Guide, 2012). Since its introduction, researchers have commonly chosen specific components based on the research focus (Williams & Siddique, 2008).

The components, which will be used for this research, have been used in prior research (Adsera et al., 2003, Ackerman & Tobin, 2005). The first component, government stability, assesses the government’s ability to carry out its priorities. It specifically examines government unity, legislative strength and popular support in a given country. The second component, law and order, assesses the strength and impartiality of a country’s legal system and the citizen’s willingness to observe the law. The final component, bureaucratic quality, assesses the expertise, quality and stability of elected officials and their administrative counterparts (ICRG, 2012).

Hypothesis 15a: There is a positive relationship between the Government Stability Index for the firm’s country of origin and the GRI application level it chooses to declare.

Hypothesis 15b: There is a positive relationship between the Government
Stability Index for the firm’s country of origin and the firm’s choice of third party assurance.

Hypothesis 16a: There is a positive relationship between the Law and Order Index for the firm’s country of origin and the GRI application level it chooses to declare.

Hypothesis 16b: There is a positive relationship between the Law and Order Index for the firm’s country of origin and the firm’s choice of third party assurance.

Hypothesis 17a: There is a positive relationship between the Bureaucracy Quality Index for the firm’s country of origin and the GRI application level it chooses to declare.

Hypothesis 17b: There is a positive relationship between the Bureaucracy Quality Index for the firm’s country of origin and the firm’s choice of third party assurance.

The intent of this research is to understand the factors that influence a firm’s disclosure strategy. Theory and prior research suggest that there are four major constructs that ultimately lead to disclosure strategy. The next chapter describes the proposed methodology to test the four dimensional model described above.
CHAPTER 3

Methodology

This research examined the relationship between a four-dimensional model of reporting determinants and a firm’s CSR disclosure strategy. The proposed model which built on legitimacy, institutional and stakeholder theories includes the following constructs: corporate characteristics, the firm’s financial performance, the involvement of the firm’s stakeholders and environmental turbulence. The firm’s CSR disclosure strategy is reflected in the combination of the GRI application level chosen by the firm and the presence or absence of third party assurance.

Executive Interviews

Executive interviews are a common means used by researchers to explore CSR reporting (Adams, 2002; Arvidsson, 2010; Islam & Deegan, 2010). In addition to the quantitative study outlined below, this research included interviews with five executives responsible for determining their firm’s CSR disclosure strategy. The purpose of these semi-structured, in-depth interviews (Fontana & Frey, 1994) was to gain additional insights into the suitability of the proposed constructs and a greater understanding of the managerial implications of this research. The constructs and expected relationships derived from the literature and from theory serve as the framework for the interviews.
The executives participating in this phase of the research were drawn from firms included in the GRI registry used subsequently in the quantitative research. A total of five executives were interviewed with no two executives from the same company, country or sector. The inclusion of different industries helped provide a reasonable cross-section of different views of CSR reporting. The interview procedure was identical for all participants (Arvidsson, 2010). Each was contacted prior to the interview. At that time, the purpose of the interviews was described and the executive was invited to participate. All interviews were conducted by phone unless proximity allowed for an in-person interview (Arvidsson, 2010; Owen, Swift & Hunt, 2001). A list of the questions that were used to guide the semi-structured interview process is included in Appendix B.

Quantitative Study

The quantitative portion of this study relied on data derived from the GRI registry, Capital IQ and public databases. This research was the first to use either the GRI registry or Capital IQ in CSR disclosure research. Of the secondary sources, only public databases have been used previously in CSR disclosure research. Past studies focused on the content and quality of disclosures have relied upon either primary data developed through the use of content analysis or data derived from annual reports. However, the generalizability of studies that have used content analysis has been limited because content analysis limits the number of firms that can be examined (Gamerschlag et al., 2011).

While GRI guidelines have been previously examined (Nikolaeva & Bicho, 2011), the research did not examine the GRI disclosure registry. The registry lists all CSR disclosures that have employed the GRI guidelines between 1999 and 2012. While
the types of data that have been collected have varied over the life of the registry, all entries between 2007 and 2012 have included the organization's name, its size, its sector, country, region, the type of report, the application level and manner in which the application level was determined. Listings for 2011 and 2012 also include the organizational type (state, public or private) and whether or not the firm is listed.

Sample

A sample of global publicly traded firms was drawn from a reporting registry maintained by the Global Reporting Initiative. The registry lists firms that have utilized the reporting framework since it was first introduced. However, only those firms that have used the G3 Guidelines in their reporting are focused on here. Before the G3 Guidelines were adopted in 2006, GRI had fewer requirements and required the firm to make fewer choices regarding their disclosure strategy. Table 6 shows the number of reports with an application level of A, B or C that have been entered into the registry since the G3 Guidelines were introduced.

The data set was derived from the 2011 GRI Registry. It included 1,909 public and private firms as well as cooperatives, non-profit organizations, partnerships, state owned companies and subsidiaries with an application level of A+, A, B+, B, C+ or C. Table 7 shows the distribution of all of the 2011 GRI reports across application levels.

In order to arrive at a final data set, several steps were taken. First, because this study focused on publicly traded firms, organizations that are not listed on a stock exchange were eliminated. Second, firms with duplicate listings were removed. Finally, an additional group of companies was eliminated because of limited available data in
Capital IQ and public databases. This resulted in a sample of 535 global publicly traded firms. This sample represents 28% of the total reports.

**Table 6**

**Number of Records with Application Levels in the GRI Registry**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>430</td>
</tr>
<tr>
<td>2008</td>
<td>770</td>
</tr>
<tr>
<td>2009</td>
<td>1,154</td>
</tr>
<tr>
<td>2010</td>
<td>1,561</td>
</tr>
<tr>
<td>2011</td>
<td>1,909</td>
</tr>
<tr>
<td>2012</td>
<td>764</td>
</tr>
</tbody>
</table>

**Table 7**

**Total Population Distribution of 2011 GRI Reports Across Application Levels**

<table>
<thead>
<tr>
<th>Application Level</th>
<th>Number of Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>471</td>
</tr>
<tr>
<td>A</td>
<td>200</td>
</tr>
<tr>
<td>B+</td>
<td>272</td>
</tr>
<tr>
<td>B</td>
<td>417</td>
</tr>
<tr>
<td>C+</td>
<td>112</td>
</tr>
<tr>
<td>C</td>
<td>437</td>
</tr>
<tr>
<td>Total</td>
<td>1909</td>
</tr>
</tbody>
</table>
With logistic regression, Hair, et al. (2010) recommend that there be both an analysis sample and a holdout sample. While the data set used in this study exceeds the 400 recommended for the analysis sample, it is not large enough to provide for a similar sized holdout sample. This eliminates the possibility of a holdout sample that would allow for validation of the logistic model (Hair et al., 2010; Hosmer & Lemeshow, 2000). Hair, et al. (2010) also suggest a minimum of 10 observations per independent variable. With 17 hypotheses, this would suggest a minimum of sample of 170 and this sample meets that requirement.

**Analytical Approach**

In past CSR disclosure research, logistic regression has been commonly used by scholars (e.g. Dhaliwal, Li, Tsang & Yang, 2011; Kolk & Perego, 2010; Kolk & Pinkse, 2010; Perez-Batres, Miller & Pisani, 2010; Roberts, 1992). In this research, the dependent variables that were analyzed were categorical rather than metric. Given the nature of these variables, logistic regression was also considered the most appropriate analytical approach for this study. Using this method provides researchers with the ability to analyze categorical dependent variables and metric and non-metric independent variables. It also provides robust statistical tests and a wide range of diagnostic tools to ensure goodness of fit (Hair et al., 2010; Hosmer & Stanley, 2000).

**Variable Delineation**

**Dependent Variable**

The combination of the firm’s chosen GRI application level and the presence or absence of assurance reflects the firm’s CSR disclosure strategy. This serves to signal its
legitimacy and is consistent with both stakeholder and legitimacy theories. In this research, the firm’s CSR disclosure strategy was represented by two variables: application level and third-party assurance. With the GRI G3 Guidelines, there are three application levels from which the firm may choose. That which is chosen is dependent on the firm’s level of reporting and its adherence to the corresponding standards outlined by GRI. The application levels, A, B, C are variables and were coded in this study as 3, 2 or 1 respectively. While this dependent variable has not been examined in past research, it does represent a fundamental choice that firms must make in executing their disclosure strategy.

The presence or absence of third party assurance was the second dependent variable. This is considered a key strategic decision because CSR disclosures may have more legitimacy if reviewed and assured by an independent third party. This is similar to financial data that are viewed as reliable because they have been subjected to an audit (Holder-Webb, et al 2009). The presence or absence of third party assurance is also included in the data reported to GRI. Determining whether or not to pursue third party assurance is an important decision the firm must make in determining its disclosure strategy. The presence or absence of third party assurance was coded as 1 or 0.

Exploratory variables used in the study are described below and are organized by construct consistent with the model proposed for this research.

**Explanatory Variables**

The explanatory variables in this study reflect constructs in the proposed four-dimensional model of reporting determinants as shown in Figure 1 (see Chapter 1).
The proposed model builds upon the previous work of Ullmann (1985) and Adams (2002). It includes the following constructs: non-financial corporate characteristics, the firm’s financial performance, the involvement of the firm’s stakeholders and environmental turbulence.

**Non-financial corporate characteristics.** Consistent with prior research, four variables have been chosen to represent non-financial corporate characteristics. They include the firm size (Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005), firm age (Roberts, 1992), the presence of a board level CSR committee (Cowen et al., 1987) and the corporate governance structure (Boesso & Kumar, 2007).

**Firm size.** Company size has been measured in a variety of different ways, including number of employees, total asset value, sales volume and Fortune 500 rank. Consistent with Boesso & Kumar (2007) and Prado-Lorenzo, Gallego-Alvarez and Garcia-Sanchez (2009), company size will be measured as the number of employees. The firm’s number of employees will be drawn from the Capital IQ database.

**Firm age.** Older firms are believed to have a more established reputation, which would in turn make them more likely to report their CSR activities than newer firms. The majority of studies that have examined the relationship between firm age and CSR disclosures have reported a positive linear relationship (Bayoud et al., 2012; Dhaliwal et al., 2012; Roberts, 1992). This variable is defined as the age of the corporation from inception to 2011 and will be derived from the Capital IQ database.

**Board level CSR committee.** The presence of a board level committee focused on CSR has been examined previously in relation to social disclosure. It was believed that the influence of this committee could lead to increased volume of reporting. However,
the only effect that was shown was with the volume of human resource related disclosures (Cowen et al., 1987). Given the role of the board and its interest in the firm’s strategy, it is hypothesized here that such a committee would likely have a greater effect to the firm’s CSR disclosure strategy. The presence or absence of a board level CSR committee is coded as 1 or 0 respectively. This data will be drawn from the Capital IQ database.

**Business complexity.** Given the increased complexity of business and the expectations of stakeholders, business complexity is included as a variable. Both the number of operating segments and geographic segments within a firm have been used previously to measure business complexity (Boesso & Kumar, 2007; Ge & McVay, 2010; Hossain & Hammami, 2009). As such, both will be collected for 2011. This data will be drawn primarily from the Capital IQ database. When data is not available in the Capital IQ database, it will be drawn from the firm’s annual report or its 10-K filings.

**Corporate governance structure.** Scholars have suggested that firms with a higher ratio of independent board members to the total number of board members may be more likely to provide stakeholders with a higher quantity and quality of CSR disclosures (Boesso & Kumar, 2007; Eccles et al., 2001). This ratio will be calculated using the number of independent directors and total directors for each firm as found in the Capital IQ database.

**Financial performance of the firm.** Firm financial performance is included in the models proposed by both Ullmann (1985) and Adams (2002). The variables that have been used include: return on equity (Roberts, 1992), current return on assets (Hackston & Milne, 1996; Patten, 1991), one year lagged return on assets (Gray, et al, 1995; Hackston

**Lagged return on equity.** Based on prior results, neither current nor one year lagged ROE were found to have a relationship with the quantity and quality of CSR reporting (Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991). Given those findings, this study will examine the average ROE over the four-year period preceding the disclosure (Roberts, 1992). This data will be drawn from the Capital IQ database.

**Systematic risk – Beta.** With reduced systematic risk, capital markets may view firms that have a strategy to report CSR disclosures at the highest level as more legitimate and less risky (Roberts, 1992). Systematic risk will be measured using the firm’s Beta for 2011, which will be drawn from the Capital IQ database.

**Stakeholder involvement.** The involvement of the firm with its stakeholders will be represented by four specific variables. These include: (1) the number of stakeholders referenced (Kateb, 2012), (2) the sponsorship of a philanthropic foundation (Roberts, 1992), (3) media exposure (Hyman & Mathur 2005; Nikolaeva & Bicho, 2011) and (4) corporate reputation (Othman et al., 2011).

**Number of stakeholders referenced.** The recognition of stakeholders and the firm’s involvement with them can be noted in the firm’s reference to stakeholders in the company’s disclosures. This information will be drawn from the firm’s CSR disclosure and will measure the number of stakeholders a firm references in its 2011 CSR disclosure (Hill & Jones, 1992; Jones, 1995; Kateb, 2012).

**Corporate sponsorship of a philanthropic foundation.** In this research, the sponsorship of a philanthropic foundation is coded as 1 and the absence of sponsorship of a philanthropic foundation is coded as 0. The source is consistent with past research.
This information will be derived from the *Europa International Foundation Directory* (Roberts, 1992).

**Media exposure.** Consistent with past research, media exposure will be defined as the number of news items produced about the firm in a given year (Fiss & Zajac, 2006). Companies included in the sample will be reviewed for the number of stories published which focus on the firm’s CSR and CSR disclosures in 2011 (Zyglidopoulos et al, 2012). This information will be drawn from the Lexis/Nexis database includes news from selected major US and international publications, news wire services and transcripts of radio and television broadcast (Hyman & Mathur 2005; Nikolaeva & Bicho, 2011).

**Corporate reputation.** Several measures have been used to assess reputation, including the Fortune Most Admired Companies and Financial Times Most Respected Companies. These measures and others like them are limited in that they only assess a small subset of companies. They also tend to have a financial bias (Othman et al., 2011). In order to address these issues, some scholars have used the Reputation Institute’s RepTrak as a measure of corporate reputation (Fombrun & Pan, 2006; Vidaver-Cohen 2007). This index has been tested with over 2,000 companies globally and measures the perceptions across countries, industries and stakeholder segments based on seven dimensions. These include product and services, performance, citizenship, workplace, governance, leadership and innovation (Reputation Institute, 2012). Specific dimensions can be isolated. This was done in recent research where citizenship, workplace and governance were isolated to create a measure of CSR reputation (Othman et al., 2011). For this research, the Reputation Institute’s RepTrak will be used.
Environmental turbulence. The fourth dimension of the model is environmental turbulence. This dimension represents a subset of the general contextual factors described by Adams (2002). The factors include social, political and economic factors. Environmental turbulence is commonly defined as the loss of stability created by difficult to predict environmental changes (Berthon et al., 2008; Halebian & Finkelstein, 1993). This consists of both economic and political turbulence, which have been measured using a variety of variables. While these factors can be difficult to measure, a variety of variables have been described in the literature by management, economics and political science scholars that would be appropriate.

Economic turbulence. Economic turbulence has often been described in the literature in terms of both national and industry level changes (Akhter & Daly, 2009; Deephouse & Wiseman, 2000; Ljungqvist & Sargent, 1998, 2004; Rissman, 1997). Previous research has examined economic turbulence in terms of changes to gross domestic product, unemployment, inflation and/or interest rates (Akhter & Daly, 2009; Deephouse & Wiseman, 2000; Ljungqvist & Sargent, 1998, 2004; Rissman, 1997). Other scholars have focused on industry concentration, product dynamism, industry vulnerability, demand instability and market share instability (Halebian & Finkelstein, 1993, Hambrick, 1983, Hambrick & Abrahamson, 1995). Given that both economic measures and industry focused measures have been used, both types are reflected in the hypotheses. GDP will be calculated as standard deviation of per capita GDP growth from 2008-2011 for the firm’s country origin. Performance risk will be calculated as the average coefficient of variation of firm’s return on assets within a given industry. The firm’s return on assets will be derived from the Capital IQ database. Demand instability
will be calculated as the average coefficient of variation of firm’s sales within a given industry. The firm’s return on sales will be derived from the Capital IQ database.

**Political turbulence.** Political turbulence has been examined using components from the International Country Risk Guide (ICRG) to assess political risks for the firm’s country of origin (Adsera et al., 2003). The components, which will be used for this research, include: government stability, law and order and bureaucratic quality. Each one has been used in prior research and will focus on the firm’s country of origin (Adsera et al., 2003, Ackerman & Tobin, 2005).

The Government Stability Index consists of three subcomponents - government unity, legislative strength and popular support. These are rated on a five-point scale where a score of 4 represents a very low risk and score of 0 signals a very high risk (ICRG, 2012). The Law and Order Index is comprised of two subcomponents that are assessed separately using a four-point scale. A score of 3 is considered high and signals very low risk. Conversely, a score of 0 signals very high risk (ICRG, 2012). The Bureaucracy Quality Index is used to measure the expertise, quality and stability of elected officials and their administrative counterparts. The index components are rated on a five-point scale. A score high of 4 points equates to high quality and low risk. Conversely, a score of 0 signals poor quality and high risk (ICRG, 2012).

**Control Variables**

**Industry.** The firm’s industry membership has also been controlled for in a number of studies (Adams et al., 1998; Cowen et al., 1987; Hackston & Milne, 1996; Holder-Webb et al., 2009; Patten, 1991; Roberts, 1992). This has been done because certain industries are known to have more intense competition, more scrutiny from
regulators and/or be more visible by consumers. These factors could impact both the firm’s level of CSR activity and the disclosure practices.

In early disclosure research, dummy variables were used to distinguish between those industries considered high and low profile. However, the industries that met this definition varied. Roberts (1992) considered the automobile, aviation and oil industries to be high profile while Patten (1991) focused on petroleum, chemical and forest/paper industries. Later research by Gamerschlag et al. (2011) and Hackston & Milne (2006) included 18 and 21 industries respectively. The number of industries was based on the stock exchange of the country where the research was conducted - New Zealand Stock Exchange and the Deutsche Boerse. However, just as with the early research, there was a wide variation in the types of industries that met this definition.

The Global Reporting Initiative database categorizes companies into 38 different industries. While there is some variance between GRI’s categories and those used previously, there is also substantial overlap. For the purpose of this research, 20 industries, consistent with those used in prior research, will be considered high profile. Rather than referring to a specific industry, GRI instead uses the term sector. For this research, however, the terms will be considered interchangeable.

In the GRI database, companies within the computer industry have two different sector categories from which to choose. One of these is referred to as the computer sector while the other is referred to as the technology hardware sector. Because of the similarity between them, the two categories have been collapsed to one in this research. GRI also reports energy and water utilities as separate sectors, which differs from past research. In order to remain consistent, energy and water utilities have been combined
(Gamerschlag et al., 2011; Hackston & Milne, 2006). A total listing of industries can be found in. Firms, which are considered high profile, are coded as 1 while firms in other sectors will be coded as 0. Consistent with Gamerschlag et al. (2011), dummy variables will also be used to distinguish among industries.

**Table 8**

**High Profile Industry Sectors**

<table>
<thead>
<tr>
<th>High Profile Sectors</th>
<th>Low Profile Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>Agriculture</td>
</tr>
<tr>
<td>Aviation</td>
<td>Commercial Services</td>
</tr>
<tr>
<td>Chemicals</td>
<td>Conglomerates</td>
</tr>
<tr>
<td>Computers/Technology Hardware*</td>
<td>Construction Materials</td>
</tr>
<tr>
<td>Construction</td>
<td>Equipment</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>Healthcare Services</td>
</tr>
<tr>
<td>Energy</td>
<td>Household and Personal Products</td>
</tr>
<tr>
<td>Utilities (Energy &amp; Water)*</td>
<td>Metal Products</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Non-Profit/Services</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>Other</td>
</tr>
<tr>
<td>Forest and Paper</td>
<td>Public Agency</td>
</tr>
<tr>
<td>Health Care Products</td>
<td>Railroad</td>
</tr>
<tr>
<td>Logistics/Transportation</td>
<td>Tourism/Leisure</td>
</tr>
<tr>
<td>Media</td>
<td>Toys</td>
</tr>
<tr>
<td>Mining</td>
<td>Universities</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Waste Management</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
</tr>
<tr>
<td>Telecommunications</td>
<td></td>
</tr>
<tr>
<td>Textiles and Apparel</td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
</tr>
</tbody>
</table>

* denotes industry sectors that have been combined into a single sector based on past research

**Number of countries.** Given the use of country level variables, an additional control variable will be the number of countries in which the company operates. The number of geographic segments within a firm has been used previously to measure
business complexity (Ge & McVay, 2010). This information will be collected for 2011 and will be drawn from the Capital IQ database (Boesso & Kumar, 2007; Hossain & Hammami, 2009).

**Number of years reporting.** Because of the potential impact of past reporting, the number of years a firm has reported using the GRI will be used as a control. This number will be drawn from the GRI registry and will examine the period from 1999 to 2011.

CSR reporting practices have evolved with increased societal expectations and the introduction and widespread adoption of reporting standards like the GRI Guidelines (Gamerschlag et al., 2011 Gray et al., 1988; Hubbard, 2011; KPMG, 2011; Neu et al., 1998; Nikolaeva & Bicho, 2011; Yongvanich & Guthrie, 2006). Given this evolution, theoretical models proposed by Ullmann (1985) and Adams (2002) may no longer be sufficient to explain the factors that influence a firm’s CSR disclosure strategy. This study examines a four-dimensional model that builds upon those theoretical models and incorporates research findings and environmental changes that have taken place since their introduction. By testing the variables that have been outlined here, both scholars and practitioners will be provided with a more comprehensive understanding of the factors that influence a firm’s CSR disclosure strategy.
CHAPTER 4

Data Analysis and Findings

The semi-structured, in-depth interviews were designed to gain additional insights into the suitability of the proposed constructs and to provide insight into each firm’s approach to reporting. The executives who participated are responsible for determining their firm’s CSR disclosure strategy. Care was taken to ensure that firms who employ these individuals were drawn from the GRI Registry. Each company that participated represented different industries and displayed different approaches to reporting.

Two interviews were initially undertaken with firms based in the United States. The first was conducted with Company A, an automobile manufacturer that has shown a long-standing commitment to CSR reporting. The second was conducted with Company B, a multi-national pharmaceutical company, that is committed to CSR reporting but whose reporting history has been somewhat inconsistent. Often the periods where the firm has reported have then been followed by periods of silence.

While the companies’ reporting patterns were different, the interviews revealed similar strategies. Both companies had chosen to remain consistent in their choice of application level and neither had chosen to pursue third party assurance. The executives also revealed that the focus of their firm’s CSR reports and the chosen application level are generally determined by a small group of employees who are knowledgeable about
the composite parts of the report. These interviews did not suggest anything that would raise concern about the suitability of the proposed constructs.

During the period that the data set was being assembled, two additional executive interviews were conducted with multi-national companies that are headquartered in Europe. Each of the companies also has a long history of CSR reporting. The first of these interviews was with Company C, which provides staffing, placement, career and outsourcing services as well as human resources consulting. The company was included in this research because of its reporting history and its focus on services rather than tangible products. The second interview was conducted with Company D, which develops, produces, and sells products in the healthcare, material science and crop science markets. This company was included in this portion of the research because of its broad business mix and its long-standing use of the GRI framework including third party assurance.

Both companies expressed a strong interest in being more strategic in their reporting. However, each is at a different stage. Company C indicated that its past efforts had often lacked uniformity. In an effort to change this, representatives in each country where they have operations were given a questionnaire and asked to collect the required data from different parts of the organization. Another important step was the review and approval of the company’s CSR report by the board of directors reviewed and approved. This took place for the first time in 2013.

Company D looks at CSR more holistically. There are people throughout the organization who are responsible for sustainability and this includes a member of the Board of Directors as well as representatives from each division – healthcare, material
science, and crop science. Decisions about the firm’s sustainability strategy are made by a committee, which meets three to four times per year to talk about activities and strategies related to sustainability. These activities are then reported on an annual basis. Company D’s efforts have become even more imbedded in the organization. In the future, the company’s CSR reporting will be incorporated into the annual report.

Companies C and D, just like Companies A and B, have chosen to remain consistent in their choice of application level. One major difference amongst the companies is that Company D’s CSR report is assured by a third party. It was important that at least one of the companies interviewed includes third party assurance as part of its reporting strategy. It is of note that while these additional interviews helped provide context, there continued to be nothing reported that would create concern about the suitability of the proposed constructs.

After the data set was assembled and analyzed, a final interview was conducted with Company E. The company is a multi-national company that develops, produces, and markets consumer packaged goods that are distributed in the United States and select international markets. The timing of this interview was chosen to help provide further context to the findings as well as to suggest potential future research questions. In order to provide the broadest perspective, it was important to ensure all of the application levels were represented in this phase of the research.

Company E reports at the C application level and does not include third party assurance. The firm’s disclosure strategy is to be actively prepared for issues that can be predicted rather than to be a leader in CSR reporting. For those that cannot be predicted, the company responds reactively on a case-by-case basis. In an effort to achieve this,
they monitor indicators and key forces within the industry as well as topics of interest to customers, shareholders, non-governmental organizations and government. The risk level associated with each is determined and this helps to inform what will be reported. This determination rests with the Executive-VP level staff that is responsible for research and development, human resources, operations, legal and marketing.

The interview revealed that Company E places their stakeholders in high regard. If government proposes rules, information is shared with management and a plan of action is suggested. If a non-governmental organization makes a request, the company weighs the public relations risks. Shareholders also receive rapid attention. Of all their stakeholders, however, alignment with customers and consumers is considered most critical. Given their business model, they defined customers as those to whom they sell direct. Consumers, on the other hand, are those who buy the firm’s products from their customers.

The company believes that their CSR program is young. They recognize that they have to consider the type of company they are and who their stakeholders are. They have not felt the need to move quickly, but rather to be consistent in their reporting. They do not have their reports assured; however, many of the inputs are assured through other processes and organizations. As a result, third party assurance of the report was thought to be redundant.

An additional topic that came up during the interview was impact of the UN Global Compact and other similar efforts. The UN Global Compact is a global initiative that is intended to align the strategies and operations of companies with certain principles that are focused on the environment human rights, labor, and anti-corruption (UN Global
Compact, 2013). The company has a long heritage of environmental concern, but has chosen to not sign on to the UN Global Compact or the Carbon Disclosure Project. It is believed that signing on to either of these puts too much pressure on the company to drive faster or to a place that it does not wish to go. Signing can also cause redundancy. For example, they already report greenhouse gases. Ultimately, the company wants to manage their own programs rather than ceding strategic choices to someone else.

**Descriptive Statistics**

**Dependent Variables**

The choice of application level communicates the firm’s level of reporting that has been undertaken and its adherence to the corresponding standards outlined by GRI. As shown in Table 9, firms in the data set are normally distributed across application levels with 38.7% of firms choosing level A, 42.4% of firms choosing level B and 19.9% choosing level C respectively. This is not dissimilar from the 2011 GRI registry in which 35% of firms chose level A, 36% of firms chose level B and 29% of firms chose level C.

**Table 9**

**Application Level Distribution**

<table>
<thead>
<tr>
<th>Application Level</th>
<th>GRI Registry</th>
<th>Data Set</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>A</td>
<td>671</td>
<td>35.1</td>
</tr>
<tr>
<td>B</td>
<td>689</td>
<td>36.1</td>
</tr>
<tr>
<td>C</td>
<td>549</td>
<td>28.8</td>
</tr>
<tr>
<td>Total</td>
<td>1909</td>
<td>100</td>
</tr>
</tbody>
</table>

The second dependent variable is the presence or absence of third party assurance. Determining whether or not to pursue third party assurance is an important decision the
firm must make in choosing its disclosure strategy. As shown in Table 10, firms are nearly equally divided in their choice with 51.2% choosing to pursue third party assurance and 48.8% choosing not to pursue third party assurance. This differs from the 2011 GRI registry. There firms were not divided as equally, with 44.8% choosing to pursue third party assurance and 55.2% choosing not to pursue third party assurance.

**Table 10**

**Assurance Determination Distribution**

<table>
<thead>
<tr>
<th>Assurance</th>
<th>GRI Registry</th>
<th>Data Set</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence/Presence</td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Presence</td>
<td>855</td>
<td>44.8</td>
</tr>
<tr>
<td>Absence</td>
<td>1054</td>
<td>55.2</td>
</tr>
<tr>
<td>Total</td>
<td>1909</td>
<td>100</td>
</tr>
</tbody>
</table>

The difference between the data set and the broader GRI may be explained by the types of organizations that are included in each. The registry includes both public and private firms as well as cooperatives, non-profit organizations, partnerships, state owned companies and subsidiaries. The data set is focused only on public firms which are required to provide an annual report to shareholders. This requirement exposes firms to the value of third party assurance and may lead them to consider consistent approaches to reporting.

**Explanatory Variables**

The explanatory variables in this study reflect constructs in the proposed four-dimensional model of reporting determinants shown in Figure 1 (see Chapter 1).
It includes the following constructs: non-financial corporate characteristics, the firm’s financial performance, the involvement of the firm’s stakeholders and environmental turbulence.

**Non-financial corporate characteristics.** Firm size (Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005), firm age (Roberts, 1992), the presence of a board level CSR committee (Cowen et al., 1987) and the corporate governance structure (Boesso & Kumar, 2007) are variables used to represent non-financial corporate characteristics. As shown in, firm size ranged from 10 to 552,445 employees, with a mean of 41,840.66 and a standard deviation of 69,251.81. Firms ranged in age from 3 to 421 years, with a mean of 79.30 and a standard deviation of 58.71. The number of business segments ranged from 0 to 25 with a mean of 4.31 and a standard deviation of 2.91. The Corporate Governance ratio that is calculated using the number of independent directors and total directors for each firm ranged from 0 to .77 with a mean of .18 and a standard deviation of .15. Finally, of the firms in the data set, 39.3% have a board level CSR committee while the remaining 60.7% of firms do not.

**Table 11**

**Descriptive Statistics for Non-Financial Corporate Characteristics**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Size</td>
<td>535</td>
<td>552415</td>
<td>10</td>
<td>552425</td>
<td>41840.66</td>
<td>69251.8</td>
</tr>
<tr>
<td>Firm Age</td>
<td>535</td>
<td>418</td>
<td>3</td>
<td>421</td>
<td>79.3</td>
<td>58.7</td>
</tr>
<tr>
<td>CSR Committee</td>
<td>535</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segments - Business</td>
<td>535</td>
<td>25</td>
<td>0</td>
<td>25</td>
<td>4.31</td>
<td>2.91</td>
</tr>
<tr>
<td>Corp Gov Ratio</td>
<td>535</td>
<td>0.77</td>
<td>0</td>
<td>0.77</td>
<td>0.18</td>
<td>0.15</td>
</tr>
</tbody>
</table>
Financial performance of the firm. Firm financial performance was represented by four year lagged return on equity (Roberts, 1992) and Beta (Roberts, 1992). Descriptive statistics for each of these variables can be found in Table 12. Four year lagged return on equity ranged from -2.08 to 12.09 with a mean of .18 and a standard deviation of .61. Given this range, the mean suggests that there may be a small number of companies who report scores near the maximum. A review of the raw data showed 5 firms of 535 have lagged ROE above 1. Beta ranges from -.27 to 3.35 with mean of .89 and a standard deviation of .53.

Table 12
Descriptive Statistics for Financial Performance of the Firm

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagged ROE</td>
<td>535</td>
<td>14.17</td>
<td>-2.08</td>
<td>12.08</td>
<td>0.18</td>
<td>0.61</td>
</tr>
<tr>
<td>Beta</td>
<td>535</td>
<td>3.62</td>
<td>-0.27</td>
<td>3.35</td>
<td>0.89</td>
<td>0.53</td>
</tr>
</tbody>
</table>

Stakeholder involvement. The involvement of the firm with its stakeholders is represented by four specific variables. These include: (1) the number of stakeholders referenced (Kateb, 2012), (2) the sponsorship of a philanthropic foundation (Roberts, 1992), (3) media exposure (Hyman & Mathur 2005; Nikolaeva & Bicho, 2011) and (4) corporate reputation (Othman et al., 2011). Descriptive statistics for each of these variables can be found in Table 13.

The recognition of stakeholders and the firm’s involvement with them can be noted in the firm’s reference to stakeholders in the company’s disclosures. The number of stakeholders referenced ranges from 1 to 22 with a mean of 7.36 and a standard...
deviation of 2.32. One company was a significant outlier with 22 stakeholders referenced. The next largest was 14.

Table 13

Descriptive Statistics for Stakeholder Involvement

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders</td>
<td>535</td>
<td>21</td>
<td>1</td>
<td>22</td>
<td>7.36</td>
<td>2.32</td>
</tr>
<tr>
<td>Corp Foundation</td>
<td>535</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Exposure</td>
<td>535</td>
<td>442</td>
<td>0</td>
<td>442</td>
<td>18.11</td>
<td>42.78</td>
</tr>
<tr>
<td>Corp Reputation</td>
<td>103</td>
<td>81</td>
<td>0</td>
<td>81</td>
<td>67.26</td>
<td>9.75</td>
</tr>
</tbody>
</table>

A corporate philanthropic foundation provides the firm with a means to make strategic contributions (Rosebush, 1987). Of the firms studied here, 44.3% directed their philanthropic efforts through their corporate foundation. The remaining 55.7% of firms did not have a corporate foundation.

Consistent with past research, media exposure was defined as the number of news items produced about the firm in a given year (Fiss & Zajac, 2006). Companies included in the sample were reviewed for the number of stories published which focus on the firm’s CSR and CSR disclosures in 2011 (Zyglidopoulos et al, 2012). For the data set, the number of news stories focused on CSR ranged from 0 to 442 with a mean of 18.11 and a standard deviation of 42.78

One of the issues noted in the original proposal is that with studies used to evaluate reputation, there are often limited numbers of companies that are assessed. In order to overcome this issue, some scholars have used the Reputation Institute’s RepTrak as a measure of corporate reputation (Fombrun & Pan, 2006; Othman et al., 2011;
Vidaver-Cohen 2007). However, an examination of companies included in this data set revealed that only 103 of the 535 companies who report an application level have a publicly available RepTrak score. This represented less than twenty percent. For these companies, reputation scores ranged from 42.79 to 81.00 with a mean of 67.26 and a standard deviation of 9.75.

**Environmental turbulence.** Environmental turbulence consists of both economic and political turbulence. Economic turbulence has often been described in the literature in terms of both national and industry level changes (Akhter & Daly, 2009; Deephouse & Wiseman, 2000; Ljungqvist & Sargent, 1998, 2004; Rissman, 1997). It is measured by standard deviation of per capita GDP growth, performance risk and demand instability. GDP was calculated as standard deviation of per capita GDP growth from 2008-2011 for the firm’s country of origin. Political turbulence was measured by the Government Stability Index, the Law and Order Index and the Bureaucracy Quality Index.

As shown in Table 14, performance risk ranged from 0 to 6.50 with mean of .38 and a standard deviation of .45. Demand instability ranged from 0 to 8.55 with a mean of .38 and a standard deviation of .97. The Government Stability Index scores ranged from 5.00 to 10.63 with a mean of 7.21 and a standard deviation of 1.16. The Law and Order Index scores ranged from 2.00 to 6.00 with a mean of 4.78 and a standard deviation of 1.06. The Bureaucracy Quality Index scores ranged from 1.00 to 4.00 with a mean of 3.43 and a standard deviation of .79.
Table 14

Descriptive Statistics for Environmental Turbulence

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>535</td>
<td>5.47</td>
<td>0.76</td>
<td>6.23</td>
<td>3.01</td>
<td>1.07</td>
</tr>
<tr>
<td>Demand Instability</td>
<td>535</td>
<td>8.55</td>
<td>0</td>
<td>8.55</td>
<td>0.38</td>
<td>0.97</td>
</tr>
<tr>
<td>Government Stability</td>
<td>535</td>
<td>5.63</td>
<td>5</td>
<td>10.63</td>
<td>7.21</td>
<td>1.16</td>
</tr>
<tr>
<td>Law &amp; Order</td>
<td>535</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>4.68</td>
<td>1.06</td>
</tr>
<tr>
<td>Bureaucracy Quality</td>
<td>535</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>3.43</td>
<td>0.79</td>
</tr>
</tbody>
</table>

Both demand instability and performance risk had a large range and low means. As a result, the data was reexamined and outliers were detected. In order to address this issue, demand instability and performance risk were converted to dichotomous variables. Each variable was split into two groups using the median value. For demand instability the median was .255 and for performance risk, the media was .134. Those below the median were set equal to 0 and those above the median were set equal to 1. The dichotomous variables were later tested in the model along with the original variables. There results for the models tested with the dichotomous variables and the original variables were not different. As a result, because demand instability and performance risk were left in their original form.

Control Variables

Several variables are being controlled for in this study. These include firm’s industry membership (Adams et al., 1998; Cowen et al., 1987; Hackston & Milne, 1996;
Holder-Webb et al., 2009; Patten, 1991; Roberts, 1992), the number of countries in which
the company operates (Ge & McVay, 2010) and the number of years a firm has reported
using the GRI. Descriptive statistics for each of these variables can be found in Table 15.
In the data set, 72.4% of firms were considered to be high profile.

Table 15

Descriptive Statistics for Control Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Profile</td>
<td>535</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4.364</td>
</tr>
<tr>
<td>Segments – Geo</td>
<td>535</td>
<td>0</td>
<td>30</td>
<td>5.01</td>
<td></td>
</tr>
<tr>
<td>Years Reported</td>
<td>535</td>
<td>1</td>
<td>13</td>
<td>4.07</td>
<td>2.704</td>
</tr>
</tbody>
</table>

Correlations between variables, which can be found in Table 16, were reviewed
for both dependent and independent variables. Bivariate correlations of .90 and higher
suggest substantial collinearity, however, it may be present with correlations as low as
.70 (Hair et al., 2010). Correlations between the independent variables were well below
the .70 threshold with the exception of the correlation between the Law and Order Index
and the Bureaucracy Quality Index which was .805. Given this one exception and the
low correlations between variables, collinearity was determined not to be an issue.
Tolerance measures were used to further evaluate the relationship between the Law and
Order Index and the Bureaucracy Quality Index and assess for multicollinearity. The
tolerance value was .213 and the corresponding VIF is 4.69. This is above the common
cutoff threshold of 1.0 for tolerance values of .10 and would not need to be addressed
given the sample size in this study (Hair, et al., 2010).
Table 16

Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>App Level</th>
<th>Assure</th>
<th>Firm Size</th>
<th>Firm Age</th>
<th>CSR Comm</th>
<th>Segments Business</th>
<th>Corp Gov Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application Level</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.298</td>
<td>.083</td>
<td>-.014</td>
<td>.080</td>
<td>.288</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.002</td>
<td>.400</td>
<td>.888</td>
<td>.419</td>
<td>.003</td>
<td>.099</td>
</tr>
<tr>
<td>Assurance</td>
<td>Pearson Correlation</td>
<td>.298</td>
<td>1</td>
<td>-.047</td>
<td>.076</td>
<td>.027</td>
<td>.029</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.002</td>
<td>.639</td>
<td>.440</td>
<td>.787</td>
<td>.774</td>
<td>.215</td>
</tr>
<tr>
<td>Firm Size</td>
<td>Pearson Correlation</td>
<td>.083</td>
<td>-.047</td>
<td>1</td>
<td>-.013</td>
<td>-.207</td>
<td>.134</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.400</td>
<td>.639</td>
<td>.896</td>
<td>.035</td>
<td>.175</td>
<td>.632</td>
</tr>
<tr>
<td>Firm Age</td>
<td>Pearson Correlation</td>
<td>-.014</td>
<td>.076</td>
<td>-.013</td>
<td>1</td>
<td>.097</td>
<td>-.097</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.888</td>
<td>.440</td>
<td>.896</td>
<td>.326</td>
<td>.327</td>
<td>.942</td>
</tr>
<tr>
<td>CSR Committee</td>
<td>Pearson Correlation</td>
<td>.080</td>
<td>.027</td>
<td>-.207</td>
<td>.097</td>
<td>1</td>
<td>.124</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.419</td>
<td>.787</td>
<td>.035</td>
<td>.326</td>
<td>.209</td>
<td>.152</td>
</tr>
<tr>
<td>Segments - Business</td>
<td>Pearson Correlation</td>
<td>.288</td>
<td>.029</td>
<td>.134</td>
<td>-.097</td>
<td>.124</td>
<td>1</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.003</td>
<td>.774</td>
<td>.175</td>
<td>.327</td>
<td>.209</td>
<td>.551</td>
</tr>
<tr>
<td>Corp Gov Ratio</td>
<td>Pearson Correlation</td>
<td>-.163</td>
<td>.123</td>
<td>-.048</td>
<td>.007</td>
<td>.142</td>
<td>-.059</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.099</td>
<td>.215</td>
<td>.632</td>
<td>.942</td>
<td>.152</td>
<td>.551</td>
</tr>
<tr>
<td>Lagged ROE</td>
<td>Pearson Correlation</td>
<td>-.127</td>
<td>-.138</td>
<td>-.072</td>
<td>-.151</td>
<td>.082</td>
<td>.089</td>
</tr>
<tr>
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<td></td>
<td>.198</td>
<td>.162</td>
<td>.466</td>
<td>.126</td>
<td>.406</td>
<td>.367</td>
</tr>
<tr>
<td>Beta</td>
<td>Pearson Correlation</td>
<td>.161</td>
<td>-.135</td>
<td>-.093</td>
<td>.019</td>
<td>.014</td>
<td>.146</td>
</tr>
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<td>.171</td>
<td>.348</td>
<td>.852</td>
<td>.886</td>
<td>.140</td>
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<td>Stakeholders</td>
<td>Pearson Correlation</td>
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<td>.080</td>
<td>.016</td>
<td>.055</td>
<td>.145</td>
<td>.075</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.129</td>
<td>.417</td>
<td>.870</td>
<td>.581</td>
<td>.141</td>
<td>.449</td>
</tr>
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<td>Corporate Foundation</td>
<td>Pearson Correlation</td>
<td>.094</td>
<td>-.110</td>
<td>.112</td>
<td>.057</td>
<td>-.198</td>
<td>-.036</td>
</tr>
<tr>
<td>Sig 2 tail</td>
<td></td>
<td>.344</td>
<td>.267</td>
<td>.256</td>
<td>.567</td>
<td>.044</td>
<td>.717</td>
</tr>
<tr>
<td></td>
<td>App Level</td>
<td>Assure</td>
<td>Firm Size</td>
<td>Firm Age</td>
<td>CSR Comm</td>
<td>Segments Business</td>
<td>Corp Gov Ratio</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------</td>
<td>--------</td>
<td>-----------</td>
<td>----------</td>
<td>----------</td>
<td>-------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Media Exposure</strong></td>
<td>Pearson Correlation</td>
<td>.302</td>
<td>.081</td>
<td>.375</td>
<td>-.013</td>
<td>.079</td>
<td>.318</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.002</td>
<td>.415</td>
<td>.000</td>
<td>.897</td>
<td>.428</td>
<td>.001</td>
</tr>
<tr>
<td><strong>Corporate Reputation</strong></td>
<td>Pearson Correlation</td>
<td>-.208</td>
<td>.039</td>
<td>.281</td>
<td>.084</td>
<td>-.108</td>
<td>-.098</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.034</td>
<td>.698</td>
<td>.004</td>
<td>.397</td>
<td>.275</td>
<td>.322</td>
</tr>
<tr>
<td><strong>GDP Growth</strong></td>
<td>Pearson Correlation</td>
<td>.181</td>
<td>.101</td>
<td>.114</td>
<td>.248</td>
<td>-.231</td>
<td>-.034</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.066</td>
<td>.310</td>
<td>.247</td>
<td>.011</td>
<td>.018</td>
<td>.731</td>
</tr>
<tr>
<td><strong>Perf Risk</strong></td>
<td>Pearson Correlation</td>
<td>.176</td>
<td>.027</td>
<td>-.047</td>
<td>.059</td>
<td>.035</td>
<td>-.020</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.074</td>
<td>.789</td>
<td>.634</td>
<td>.554</td>
<td>.726</td>
<td>.837</td>
</tr>
<tr>
<td><strong>Demand Instability</strong></td>
<td>Pearson Correlation</td>
<td>-.005</td>
<td>-.126</td>
<td>-.001</td>
<td>.068</td>
<td>-.044</td>
<td>.080</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.961</td>
<td>.201</td>
<td>.994</td>
<td>.493</td>
<td>.658</td>
<td>.422</td>
</tr>
<tr>
<td><strong>Govt Stability Index</strong></td>
<td>Pearson Correlation</td>
<td>-.243</td>
<td>-.248</td>
<td>-.096</td>
<td>-.170</td>
<td>.032</td>
<td>-.052</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.013</td>
<td>.011</td>
<td>.332</td>
<td>.085</td>
<td>.750</td>
<td>.598</td>
</tr>
<tr>
<td><strong>Law &amp; Order Index</strong></td>
<td>Pearson Correlation</td>
<td>-.003</td>
<td>.085</td>
<td>.031</td>
<td>.040</td>
<td>-.002</td>
<td>.061</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.978</td>
<td>.392</td>
<td>.751</td>
<td>.687</td>
<td>.982</td>
<td>.538</td>
</tr>
<tr>
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<td>1</td>
<td>.805</td>
<td>.150</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.826</td>
<td>.191</td>
<td>.647</td>
<td>.000</td>
<td>.127</td>
<td>.772</td>
</tr>
<tr>
<td>Bur Quality Index</td>
<td>Pearson Correlation</td>
<td>-.075</td>
<td>.030</td>
<td>.109</td>
<td>.805</td>
<td>1</td>
<td>.026</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.449</td>
<td>.760</td>
<td>.269</td>
<td>.000</td>
<td>.796</td>
<td>.769</td>
</tr>
<tr>
<td>Industry Profile</td>
<td>Pearson Correlation</td>
<td>.013</td>
<td>.015</td>
<td>-.010</td>
<td>.150</td>
<td>.026</td>
<td>1</td>
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<tr>
<td></td>
<td>Sig 2 tail</td>
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<td>.882</td>
<td>.916</td>
<td>.127</td>
<td>.796</td>
<td>.396</td>
</tr>
<tr>
<td>Segments - Geo</td>
<td>Pearson Correlation</td>
<td>.131</td>
<td>.237</td>
<td>.001</td>
<td>-.029</td>
<td>-.029</td>
<td>-.084</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.186</td>
<td>.015</td>
<td>.993</td>
<td>.772</td>
<td>.769</td>
<td>.396</td>
</tr>
<tr>
<td>Years Reported</td>
<td>Pearson Correlation</td>
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<td>.070</td>
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<td>.051</td>
<td>-.032</td>
<td>.132</td>
</tr>
<tr>
<td></td>
<td>Sig 2 tail</td>
<td>.429</td>
<td>.482</td>
<td>.019</td>
<td>.607</td>
<td>.746</td>
<td>.180</td>
</tr>
</tbody>
</table>
Analytical Approach

The data that has been compiled for this research is complete with one exception. Corporate reputation scores are only available for 103 of the 535 companies included in this research. This was identified early in the research as a possible issue because in studies used to evaluate reputation, a limited numbers of companies are typically assessed. Some scholars have used the Reputation Institute’s RepTrak as a measure of corporate reputation in order to overcome to try and overcome this issue (Fombrun & Pan, 2006; Othman et al., 2011; Vidaver-Cohen 2007). However, for this study, even the number of companies with publicly available RepTrak scores was limited.

Within the sample, corporate reputation was the only variable with incomplete data. Given the circumstances and the amount of missing data, the variable was omitted from the initial analysis. A second analysis was conducted of companies with a corporate reputation score in order to detect any marked differences (Hair, et al, 2010). The results of that analysis will be reported later in this chapter.

Logistic Regression Analysis

As in past CSR disclosure research, logistic regression is used to analyze the relationship between categorical dependent variables and metric and non-metric independent variables (e.g. Dhaliwal, Li, Tsang & Yang, 2011; Kolk & Perego, 2010; Kolk & Pinkse, 2010; Perez-Batres, Miller & Pisani, 2010; Roberts, 1992). This type of analysis requires a minimum of 10 observations per independent variable. It is also recommended that the total sample be greater than 400 (Hair et al., 2010; Hosmer & Lemeshow, 2000).

As a result of having two dependent variables, GRI application level and third
party assurance, two different logistic models were analyzed. In the first model, the GRI application level was the dependent variable and third party assurance was the dependent variable for the second model. The analysis included an overall evaluation, goodness-of-fit-statistics and tests of individual predictors.

The overall evaluation of the GRI application level model based on the likelihood ratio test indicated that the final model is a better fit than the intercept-only or null model ($\chi^2 = 168.794, p = .000$). An evaluation was also done for the third party assurance model and the likelihood ratio test of the model produced similar results. It also demonstrated that the full model is a better fit than the intercept or null model ($\chi^2 = 130.458, p = .000$).

**Goodness-of-Fit-Statistics.**

In assessing the goodness of fit for each model, the Cox and Swain, Nagelkerke and McFadden tests were used to assess the proportion of explained variance (Hair, et al, 2010). The scores for each test can be found in Table 17. The primary value of this information is to compare competing models (Hosmer and Lemeshow, 2000).

**Table 17**

**Goodness of Fit Scores**

<table>
<thead>
<tr>
<th>Application Level Model</th>
<th>Tool</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cox and Nell</td>
<td>0.271</td>
</tr>
<tr>
<td></td>
<td>Nagelkerke</td>
<td>0.309</td>
</tr>
<tr>
<td></td>
<td>McFadden</td>
<td>0.151</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance Model</th>
<th>Tool</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cox and Nell</td>
<td>0.216</td>
</tr>
<tr>
<td></td>
<td>Nagelkerke</td>
<td>0.289</td>
</tr>
<tr>
<td></td>
<td>McFadden</td>
<td>0.176</td>
</tr>
</tbody>
</table>
Tests of Hypotheses. As shown in Table 18, four of the 19 predictor variables were found to be statistically significant in the application level model. The strongest predictor in the model, years reported ($B = 0.368, p = 0.000$), was one of the control variables. The other three variables which were found to be significant include (9a) the presence of a corporate foundation ($B = -0.371, p = 0.046$), (15a) government stability ($B = -0.196, p = 0.015$) and (17a) bureaucratic quality ($B = -0.615, p = 0.003$). Despite these results, none of the hypotheses which predicted the firm’s level of CSR disclosure were supported. While these relationships were predicted as positive, the direction of the relationship was incorrectly hypothesized and they were instead found to be negative.

For third party assurance, six of the 19 predictor variables were statistically significant. As shown in Table 19, years reported was the strongest predictor ($B = 0.218, p = 0.000$) just as it had been in the application level model. The second significant variable was bureaucratic quality, which was negatively related to third party assurance ($B = -1.001, p = 0.000$). The third significant variable was the government stability, which was negatively related to the firm deciding to pursue third party assurance ($B = -0.286, p = 0.002$). The fourth predictor, the Law and Order Index, was positively related to third party assurance ($B = 0.469, p = 0.007$). The fifth significant variable was the corporate governance ratio and it is positively related to third party assurance ($B = 1.724, p = 0.009$). The final significant variable was systemic risk-beta and it is positively related to third party assurance ($B = -0.500, p = 0.017$).
The only hypotheses that were supported in the study were for predictors of the firm’s choice of third party assurance. These include (5b) governance structure, (7b) systemic risk and (16b) the Law and Order Index. A positive relationship had also been hypothesized between government stability and the firm’s choice of third party assurance. However, it was predicted as positive, but was found instead to be negative.

One of the control variables was also found to be a significant predictor. The number of years a company has reported was found to be a strong predictor of both GRI

<table>
<thead>
<tr>
<th>Location</th>
<th>Estimate</th>
<th>Std. Error</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>App Level = 1</td>
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<td>0.928</td>
<td>15.704</td>
<td>1</td>
<td>0.000</td>
</tr>
<tr>
<td>App Level = 2</td>
<td>-1.25</td>
<td>0.913</td>
<td>1.876</td>
<td>1</td>
<td>0.171</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>-7.16E-07</td>
<td>1.49E-06</td>
<td>0.231</td>
<td>1</td>
<td>0.631</td>
</tr>
<tr>
<td>Firm Age</td>
<td>-0.001</td>
<td>0.002</td>
<td>0.503</td>
<td>1</td>
<td>0.478</td>
</tr>
<tr>
<td>Corp Governance</td>
<td>-0.322</td>
<td>0.581</td>
<td>0.308</td>
<td>1</td>
<td>0.579</td>
</tr>
<tr>
<td>Lagged ROE</td>
<td>-0.071</td>
<td>0.141</td>
<td>0.254</td>
<td>1</td>
<td>0.614</td>
</tr>
<tr>
<td>Beta</td>
<td>-0.088</td>
<td>0.177</td>
<td>0.249</td>
<td>1</td>
<td>0.618</td>
</tr>
<tr>
<td>GDP</td>
<td>-0.098</td>
<td>0.085</td>
<td>1.321</td>
<td>1</td>
<td>0.250</td>
</tr>
<tr>
<td>Performance Risk</td>
<td>0.135</td>
<td>0.228</td>
<td>0.351</td>
<td>1</td>
<td>0.554</td>
</tr>
<tr>
<td>Demand Instability</td>
<td>0.027</td>
<td>0.098</td>
<td>0.078</td>
<td>1</td>
<td>0.780</td>
</tr>
<tr>
<td>Government Stability</td>
<td>-0.196</td>
<td>0.081</td>
<td>5.887</td>
<td>1</td>
<td>0.015</td>
</tr>
<tr>
<td>Law and Order</td>
<td>0.171</td>
<td>0.15</td>
<td>1.309</td>
<td>1</td>
<td>0.253</td>
</tr>
<tr>
<td>Bureaucracy Quality</td>
<td>-0.615</td>
<td>0.208</td>
<td>8.742</td>
<td>1</td>
<td>0.003</td>
</tr>
<tr>
<td>Segments- Geo</td>
<td>0.007</td>
<td>0.022</td>
<td>0.096</td>
<td>1</td>
<td>0.757</td>
</tr>
<tr>
<td>Years Reported</td>
<td>0.368</td>
<td>0.042</td>
<td>77.875</td>
<td>1</td>
<td>0.000</td>
</tr>
<tr>
<td>Media</td>
<td>0.004</td>
<td>0.003</td>
<td>1.731</td>
<td>1</td>
<td>0.188</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>0.035</td>
<td>0.039</td>
<td>0.816</td>
<td>1</td>
<td>0.366</td>
</tr>
<tr>
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<td>0.033</td>
<td>0.144</td>
<td>1</td>
<td>0.705</td>
</tr>
<tr>
<td>CSR Committee</td>
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<td>0.189</td>
<td>1.077</td>
<td>1</td>
<td>0.299</td>
</tr>
<tr>
<td>Foundation</td>
<td>-0.371</td>
<td>0.186</td>
<td>3.998</td>
<td>1</td>
<td>0.046</td>
</tr>
<tr>
<td>Industry</td>
<td>-0.178</td>
<td>0.2</td>
<td>0.792</td>
<td>1</td>
<td>0.373</td>
</tr>
</tbody>
</table>
application level ($B = .368, p = .000$) and third party assurance ($B = .218, p = .000$). This finding was expected based on comments from the executives interviewed earlier in this research.

**Table 19**

Assurance Model Parameter Estimates

<table>
<thead>
<tr>
<th>Assurance</th>
<th>Estimate</th>
<th>Std. Error</th>
<th>Wald</th>
<th>df</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold</td>
<td>Assurance = 0</td>
<td>-2.226</td>
<td>1.034</td>
<td>4.637</td>
<td>1</td>
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<tr>
<td>Location</td>
<td>Firm Size</td>
<td>1.30E-06</td>
<td>1.64E-06</td>
<td>0.622</td>
<td>1</td>
</tr>
<tr>
<td>Firm Age</td>
<td>0.002</td>
<td>0.002</td>
<td>1.032</td>
<td>1</td>
<td>0.310</td>
</tr>
<tr>
<td>Corp Governance</td>
<td>1.724</td>
<td>0.661</td>
<td>6.791</td>
<td>1</td>
<td>0.009</td>
</tr>
<tr>
<td>Lagged ROE</td>
<td>0.061</td>
<td>0.156</td>
<td>0.153</td>
<td>1</td>
<td>0.696</td>
</tr>
<tr>
<td>Beta</td>
<td>-0.5</td>
<td>0.209</td>
<td>5.704</td>
<td>1</td>
<td>0.017</td>
</tr>
<tr>
<td>GDP</td>
<td>-0.113</td>
<td>0.099</td>
<td>1.298</td>
<td>1</td>
<td>0.255</td>
</tr>
<tr>
<td>Performance Risk</td>
<td>0.221</td>
<td>0.248</td>
<td>0.791</td>
<td>1</td>
<td>0.374</td>
</tr>
<tr>
<td>Demand Instability</td>
<td>0.012</td>
<td>0.112</td>
<td>0.011</td>
<td>1</td>
<td>0.918</td>
</tr>
<tr>
<td>Government Stability</td>
<td>-0.286</td>
<td>0.092</td>
<td>9.744</td>
<td>1</td>
<td>0.002</td>
</tr>
<tr>
<td>Law and Order</td>
<td>0.469</td>
<td>0.175</td>
<td>7.211</td>
<td>1</td>
<td>0.007</td>
</tr>
<tr>
<td>Bureaucracy Quality</td>
<td>-1.001</td>
<td>0.241</td>
<td>17.231</td>
<td>1</td>
<td>0.000</td>
</tr>
<tr>
<td>Segment - Geo</td>
<td>0.049</td>
<td>0.025</td>
<td>3.822</td>
<td>1</td>
<td>0.051</td>
</tr>
<tr>
<td>Years Reported</td>
<td>0.218</td>
<td>0.042</td>
<td>26.858</td>
<td>1</td>
<td>0.000</td>
</tr>
<tr>
<td>Media</td>
<td>0.001</td>
<td>0.003</td>
<td>0.051</td>
<td>1</td>
<td>0.821</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>0.038</td>
<td>0.044</td>
<td>0.73</td>
<td>1</td>
<td>0.393</td>
</tr>
<tr>
<td>Segments - Business</td>
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<td>0.037</td>
<td>0.164</td>
<td>1</td>
<td>0.685</td>
</tr>
<tr>
<td>CSR Committee</td>
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<td>0.215</td>
<td>0.8</td>
<td>1</td>
<td>0.371</td>
</tr>
<tr>
<td>Foundation</td>
<td>0.115</td>
<td>0.209</td>
<td>0.305</td>
<td>1</td>
<td>0.581</td>
</tr>
<tr>
<td>Industry</td>
<td>-0.326</td>
<td>0.23</td>
<td>2.014</td>
<td>1</td>
<td>0.156</td>
</tr>
</tbody>
</table>

**Corporate reputation.** As noted earlier, corporate reputation and the associated set of hypotheses were omitted from the initial analysis. A separate analysis was carried out of the 103 companies included that have corporate reputation scores available. In comparing the descriptive statistics of firms with corporate reputation scores with those of the broader sample, there are some noticeable differences. Firms with reputation scores
seem to be larger and older. As shown in Table 20, firms with corporate reputation scores had a mean of 95,520 employees and had been in business on average nearly 102 years. Firms without corporate reputation scores had a mean of 29,042 employees and had been in business on average 74.12 years. Firms with corporate reputation scores on average also had a higher lagged ROE (.2097 vs. .175). In terms of environmental turbulence, firms with corporate reputation scores have lower performance risk (.272 vs. .408), lower demand instability (.238 vs. .412) and slightly higher government stability (7.32 vs. 7.18), law and order (4.90 vs. 4.62) and bureaucratic quality indicators (3.80 vs. 3.34).

Table 20

Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Range</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Dev</th>
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<tbody>
<tr>
<td>Firm Size</td>
<td>103</td>
<td>552373</td>
<td>52</td>
<td>552425</td>
<td>95520.0194</td>
<td>1.06E+05</td>
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<tr>
<td>Firm Age</td>
<td>103</td>
<td>340</td>
<td>3</td>
<td>343</td>
<td>101.572</td>
<td>58.244</td>
</tr>
<tr>
<td>CSR Committee</td>
<td>103</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segments - Bus</td>
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<td>21</td>
<td>1</td>
<td>22</td>
<td>4.805</td>
<td>3.084</td>
</tr>
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<td>Corp Gov Ratio</td>
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<td>0.68</td>
<td>0.181</td>
<td>0.142</td>
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<td>Lagged ROE</td>
<td>103</td>
<td>2.74</td>
<td>-0.31</td>
<td>2.43</td>
<td>0.209</td>
<td>0.269</td>
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<td>-0.27</td>
<td>2.53</td>
<td>0.847</td>
<td>0.525</td>
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<tr>
<td>Stakeholders</td>
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<td>10</td>
<td>3</td>
<td>13</td>
<td>7.912</td>
<td>2.165</td>
</tr>
<tr>
<td>Corp Foundation</td>
<td>103</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
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<td>442</td>
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<td>442</td>
<td>51.417</td>
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<tr>
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<td>42.79</td>
<td>81</td>
<td>67.915</td>
<td>7.159</td>
</tr>
<tr>
<td>GDP Growth</td>
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<td>4.3</td>
<td>1.11</td>
<td>5.4</td>
<td>2.869</td>
<td>0.631</td>
</tr>
<tr>
<td>Performance Risk</td>
<td>103</td>
<td>1.38</td>
<td>0</td>
<td>1.38</td>
<td>0.271</td>
<td>0.236</td>
</tr>
<tr>
<td>Demand Instability</td>
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<td>5.65</td>
<td>0</td>
<td>5.65</td>
<td>0.238</td>
<td>0.584</td>
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<tr>
<td>Govt Stability</td>
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<td>8.5</td>
<td>7.319</td>
<td>0.882</td>
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<tr>
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<td>2</td>
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<td>4.909</td>
<td>0.806</td>
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<tr>
<td>Bureaucracy Quality</td>
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<td>2</td>
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<td>0.535</td>
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<td>Industry Profile</td>
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<td>0</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segments-Geo</td>
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<td>25</td>
<td>5.6311</td>
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<tr>
<td>Years Reported</td>
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<td>12</td>
<td>1</td>
<td>13</td>
<td>5.3786</td>
<td>2.918</td>
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</table>
For this model with the dependent variable of level, the likelihood ratio test of the final model indicated that the model is a better fit than the intercept-only or null model ($\chi^2 = 64.108, p = .000$). For assurance in this model, the likelihood ratio test of the final model also indicated that the model was a better fit than the intercept or null model ($\chi^2 = 33.407, p = .030$). This is shown in Table 21.

**Table 21**

**Goodness of Fit Scores**

<table>
<thead>
<tr>
<th>Application Model With Corporate Reputation Included</th>
<th>Tools</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cox and Nell</td>
<td>0.463</td>
</tr>
<tr>
<td></td>
<td>Nagelkerke</td>
<td>0.544</td>
</tr>
<tr>
<td></td>
<td>McFadden</td>
<td>0.328</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance Model With Corporate Reputation Included</th>
<th>Tools</th>
<th>Scores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cox and Nell</td>
<td>0.277</td>
</tr>
<tr>
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<td>Nagelkerke</td>
<td>0.371</td>
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When corporate reputation was added to the application level model, three of the twenty predictor variables were found to be statistically significant. Years reported remained the strongest predictor in the model ($B = .424, p = .000$). The corporate governance ratio ($B = -4.386, p = .009$) and corporate reputation ($B = -.087, p = .034$) were also found to be statistically significant. However, both were negatively related to the firm’s application level and they had been predicted to be positively related. Just as in the previously tested model, none of the hypotheses which predicted the firm’s level of CSR disclosure were supported.
Interestingly enough, when corporate reputation was added to the model, bureaucratic quality and government stability ceased to be significant. This is curious because these items are not highly correlated with corporate reputation. An additional analysis was undertaken to investigate the possibility that these may be predictors of corporate reputation and that corporate reputation serves as a mediator between these indices and the GRI application level. A separate multiple regression was run which resulted in an extremely low $R^2$ and showed no statistically significant relationships.

When corporate reputation was added to the third party assurance model, only two of the twenty predictor variables were statistically significant. Unlike in the application level model, Beta ($B=-1.378$, $p=.016$) was the strongest predictor. Years reported was the only other variable that proved to be significant ($B=.245$, $p=.020$). In this model, corporate reputation ($B=.034$, $p=.221$) was not significant.

**Summary**

This chapter has presented the results of five qualitative interviews that provide insights into the suitability of the proposed constructs and into each firm’s approach to reporting. While the companies represented in the interviews chose a range of application levels, only one firm chose to pursue third party assurance. The executives described the focus of their firm’s CSR reports but did not suggest anything that would raise concern about the suitability of the proposed constructs.

A quantitative analysis was undertaken to understand the determinants of a firm’s CSR disclosure strategy. The evidence resulting from the present study indicates that only four of the 19 predictor variables were found to be statistically significant of the firm’s choice of GRI application level. The strongest predictor in the model was years
reported \((p = .000)\) followed by bureaucratic quality \((p = .003)\), government stability \((p = .015)\) and the presence of a corporate foundation \((p = .046)\). For third party assurance, five of the 19 predictor variables were statistically significant. Years reported was the strongest predictor followed by bureaucratic quality \((p = .000)\), government stability \((p = .002)\), the Law and Order Index \((p = .007)\), the corporate governance ratio \((p = .009)\) and Beta \((p = .024)\).

The evidence from this study indicated that none of the hypotheses that predicted the firm’s level of CSR disclosure was supported. There were relationships observed, however, between the presence of a corporate foundation (Hypothesis 9a), government stability (Hypothesis 15a) and bureaucracy quality (Hypothesis 17a) and the firm’s choice of application level. While these relationships were predicted as positive, they were instead found to be negative.

The only hypotheses in the study that were supported were predictors of the firm’s choice of third party assurance. Governance structure (Hypothesis 5b), systemic risk (Hypothesis 7b), and the Law and Order Index (Hypothesis 16b) were all supported. There was also a relationship between government stability and the firm’s choice of third party assurance. However, it was predicted as positive but was found instead to be negative.

In the next chapter, these findings are discussed in significant detail. Each of the constructs is examined through a theoretical lens and the results are explained. The study’s limitations are also elucidated and future areas of research are proposed. Finally, the implications of the study for both practitioners and scholars are discussed.
CHAPTER 5

Discussion

With the evolution of CSR reporting practices and the introduction and widespread adoption of the GRI Guidelines, this research sought to understand the factors that determine a company’s CSR disclosure strategy. This research examined the relationship between a four-dimensional model of reporting determinants and a firm’s CSR disclosure strategy and found only one strongly predictive construct. However, the combination of predictive variables that were shown to be related help strengthen understanding of disclosure strategy. The findings of this research also suggest that theoretical models proposed by Ullmann (1985) and Adams (2002) are no longer sufficient to explain the determinants of a firm’s CSR disclosure strategy.

In an effort to explain a firm’s CSR disclosure strategy, researchers have used a broad theoretical framework. This has happened because no single theory is able to effectively explain CSR reporting (Adams & Whelan, 2009; Cormier et al., 2005; Deegan & Blomquist, 2006; Gray et al., 1995). Past research has focused on stakeholder, institutional and legitimacy theories and has suggested they have complementary effects. These theories have helped guide this research and the findings from this study help further reinforce the role that each theory plays in explaining the determinants of CSR disclosure. The results also provide added insight into each of the theories despite the fact that the hypotheses that have been proposed here have gone largely unsupported.
The discussion that follows will explain how these outcomes further our understanding of theory and of the factors that determine the firm’s CSR disclosure strategy.

**Non-Financial Corporate Characteristics**

Institutional theory suggests that firms operate in environments shaped by shared rules, values and beliefs (Hoffman, 1999; Jackson & Apostolakou, 2010; Nikolaeva & Bicho, 2011). The resulting norms influence the strategic adoption and use of CSR reporting frameworks (Chen & Bouvain, 2009; Hoffman, 1999; Nikolaeva & Bicho, 2011). These norms often lead companies to exhibit mimetic behaviors and justify their decisions based on actions other companies have taken (Milne & Patten, 2002; Nikolaeva & Bicho, 2011).

In the past, both firm size and firm age were found to be positively related to the quantity and quality of CSR disclosures (Adams et al., 1998; Bayoud, Kavanagh & Slaughter, 2012; Cowen et al., 1987; Dhaliwal et al., 2012; Hackston & Milne, 1996; Patten, 1991; Roberts, 1992). This would suggest that firms mimicked those with similar characteristics. The lack of support shown for firm size and firm age in this study, and the strong support shown for years reported, suggests that firms have changed the criteria that guide their mimetic behavior. In determining who to benchmark against, firms are likely to mimic other companies based on their reporting experience.

Results from both the executive interviews and the quantitative study also support the role of reporting experience when determining how much to report. These findings suggest that as firms gain experience, their choices of application level and third party assurance become institutionalized within the firm. The executive interviews performed in this study involved a group of companies with considerable experience in CSR
reporting who consistently applied their disclosure strategy. The most experienced of these companies issued their first CSR report in 1999 and most of the others started reporting sometime between 2001 and 2004. Their choice of application level and third party assurance has remained consistent over the last two years. One executive that was interviewed said his firm had no plans to change its reporting because it had become so adept at carrying out the strategy.

The quantitative study produced similar results. On average, companies in the data set had used the GRI framework for 4 years and over 80% of the firms reported at a B level or higher. Slightly more than half the firms employed third party assurance. The reporting experience and level of reporting seem to suggest that for many firms institutional norms that guide CSR reporting are likely already in place.

This study also examined the role of the company’s Board of Directors. Previous studies showed that the quantity and quality of CSR reporting was influenced by the presence of a board level CSR committee and the firm’s governance structure. They also suggested that CSR practices are more likely to be adopted when they are recognized as institutionalized norms (Jackson & Apostolakou, 2010). For many companies, a board level committee was needed to help the company establish institutionalized norms and make CSR disclosure a common practice.

The role of the Board of Directors, as institutional and stakeholder theories would support, was to help establish institutional norms for reporting and to represent the perspective of key stakeholders. Give the theory and results from past research, it was hypothesized that the presence of a board level CSR committee would be positively related to the firm’s choice of application level and third party assurance. A similar
hypothesis was proposed for the firm’s governance structure. The lack of support shown for both hypotheses suggest a changing role for the firm’s Board of Directors.

As a result of the firm’s reporting experience and the Board’s influence, institutional norms that govern the firm’s reporting are now in place. These factors seem to have changed the role of the Board of Directors in determining CSR disclosure strategy. During the executive interviews, the Board’s role was described as merely advisory. The evidence would suggest that more focus is being placed on senior leaders. These results would suggest that as firms gain experience in reporting and norms are established, the role of the Board is less central to the firm’s disclosure strategy. It seems that as the focus shifts to implementation, senior leaders take on an increasing role and serve to reinforce the norms that have already been established.

Business complexity was the last of the non-financial characteristics to be examined. Consistent with past studies, business complexity was measured by both the number of operating segments and geographic segments within a firm (Boesso & Kumar, 2007; Dilling, 2010; Ge & McVay, 2010). It was believed that these measures reflect the increased risk of interacting with multiple stakeholders and the need to interact with multiple countries to fulfill the firm’s social contract. The number of operating segments was not related to either the firm’s choice of application level or third party assurance. The results that have been reported thus far suggest that while firms with a large number of operating segments may face increased risk from interacting with multiple stakeholders, their level of reporting has been maintained over time. The executive interviews also suggest that because firms are comfortable with the reporting process, they are less likely to be impacted by the number of operating segments.
The number of geographic segments did appear to be related to both the firm’s choice of application level and third party assurance. However, it lacked statistical significance. The interviews also suggested that the number of geographic segments influence the firm’s disclosure strategy. As the numbers of geographic segments grow, so does the amount of overall information that must be collected to satisfy stakeholders and fulfill the firm’s social contract. In one of the interviewed firms, responses to more than 4000 questions had to be collected from multiple geographic units. This clearly showed that a large increase in the amount of information collected could adversely affect the firm’s choice of reporting level due to staffing requirements.

**Financial Performance**

The inclusion of firm financial performance as a construct was predicated on the belief that economic performance would impact the firm’s ability to invest in CSR and its associated disclosure. For this study, both lagged return on equity and systemic risk, were evaluated and neither were related to the firm’s choice of application level. These results are best explained by the firm’s reporting experience and the observation that for many firms, reporting practices have become institutionalized within the firm. Reporting experience has allowed firms to adjust to adverse financial performance and systemic risk. As a result, firms have remained consistent in their reporting. A few of the firms in the executive interviews mentioned resource availability as a potential issue. The impact of this, however, was described only as an issue for firms contemplating future changes to their reporting levels.

Systemic risk, the other measure of financial performance, was not found to be related to the firm’s choice of application level. When considering past results and the
results from this study, it would seem that as firms gain reporting experience, they become accustomed to systemic risk. As reporting practices have become more institutionalized within the firm, systemic risk no longer seems to influence a company’s disclosure strategy.

In contrast, systemic risk was found to be related to the firm’s decision to pursue third party assurance. Legitimacy theory suggests that as a firm encounters risks, it must be ready to engage in a legitimization process (Ashforth & Gibbs, 1990; Islam & Deegan, 2010). The results from this study demonstrated that as systemic risk increases, firms pursue third party assurance to address the volatility and maintain legitimacy. One company that was included in the executive interviews employed third party assurance because it wanted to be perceived as transparent. This may be especially important to institutional investors who already pay close attention to financial measures. This would suggest that in addressing systemic risk, it is more important for the firm to have someone affirm what has been reported rather than to report at the highest level possible.

The executive interviews provided additional insights into the lack of adoption of third party assurance. Costs were often cited as the reason four of the five firms chose not to employ third party assurance. Because the cost of third party assurance would equal that of creating the report, the costs were viewed as excessive. The process was also considered redundant because much of the data in the report had already been assured for inclusion in other reports.

**Stakeholder Involvement**

The results observed with the stakeholder involvement construct could best be explained by stakeholder theory. As the global marketplace grows more complex, firms
find themselves interacting with a broad range stakeholders (Clarkson, 1995; Freeman, 1984; Hult, Mena, Ferrell & Ferrell 2011). Stakeholder theory suggests that in the course of operating, firms interact with multiple stakeholders (Clarkson, 1995; Freeman, 1984; Fiss & Zajac, 2006; Hult et al., 2011) and that the expectations of stakeholders are the primary motivation for CSR reporting (Donaldson & Preston, 1995; Mitchell et al., 1997). This creates more risk and because there is often incongruity among stakeholders, the firm focuses on those who are believed to have the greatest priority (Freeman, 1984; Fiss & Zajac, 2006; Frooman, 1999; Hult et al., 2011; Jones, 1995; Mitchell, Agle & Wood, 1997).

The number of stakeholders was examined as a predictor of the firm’s disclosure strategy because it was thought that this measure reflects the increased risk a firm faces as stakeholder interactions increase. In the executive interviews, the role of the stakeholder was a central focus. Each of the executives described a group of stakeholders with whom the firm interacts and suggested that alignment with these stakeholders is crucial. Executives focused specifically on alignment with government, shareholders, non-governmental organizations and customers/consumers. Despite the qualitative findings, the number of stakeholders was not supported as a predictor of the firm’s GRI application level or its choice of third party assurance.

These findings would seem to suggest that the added risk of interacting with a number of stakeholders is likely less important in determining the firm’s disclosure strategy than the type of stakeholder with whom the firm interacts. This would also be consistent with the concept of stakeholder salience, which suggests that firms prioritize stakeholders because they lack the resources to treat them all equally. Prioritization is
based on the stakeholder’s power to influence the firm, the legitimacy of the their relationship with the firm and the urgency of their claim (Freeman, 1984; Fiss & Zajac, 2006; Frooman, 1999; Hult et al., 2011; Jones, 1995; Mitchell, Agle & Wood, 1997). The results seen with political turbulence, which will be discussed later, also reinforce the role of stakeholder salience. Those results clearly show that government is accorded a high priority and thus affects the firm’s CSR disclosure strategy.

The relationship between corporate sponsorship of a philanthropic foundation and the firm’s level of social disclosure was also examined. Previous research showed this variable to be positive and highly significant (Roberts, 1992). However, this study, found a negative relationship between corporate sponsorship of a philanthropic foundation and the GRI application level a firm chooses to declare. One possible explanation for the negative relationship with GRI application levels is that the firm has been able to establish legitimacy through the recognition it receives as the sponsor of a corporate foundation. As a result, a lower application level may be deemed sufficient.

The lack of relationship between corporate foundation sponsorship and third party assurance would also be explained by legitimacy theory. The theory would suggest that the firm’s sponsorship of the foundation might have been the result of a separate attempt to secure legitimacy. The absence of a relationship may indicate that because legitimacy has been established, the firm does not choose to engage in an additional legitimization process.

Media exposure has been previously examined as a measure of society’s interest in a company’s CSR activities. However, it was not supported as a predictor for either the firm’s application level or its choice of third party assurance (Aerts, Cormier & Magnan,
2006; Brammer & Pavelin, 2006; Cormier & Magnan, 2003; Cormier, Magnan & Van Velthoven, 2005; Kennedy, 2008; Neu et al., 1998, Zyglidopoulos et al., 2012). There was also no mention of media by any of the executives that were interviewed. These results are best interpreted using legitimacy theory which suggests that firms want to be seen as legitimate by society and as a result go through a legitimization process (Ashforth & Gibbs, 1990; Islam & Deegan, 2010). The findings here suggest that legitimacy may have already been achieved and is not under threat. As a result, media exposure is not required to substantiate the GRI application level chosen by the firm. The results would also suggest that a firm’s state of legitimacy has negated the need to pursue third party assurance.

Another potential explanation for these results is that the volume of media exposures does not reflect stakeholder salience. CSR reporting has been viewed as a means by which to share CSR activities and results with stakeholders. This measure does not reflect the prioritization of a specific stakeholder or a set of stakeholders. The findings here suggest that broad media exposures have no influence either on the level of reporting or the need for third party assurance.

The final measure of stakeholder involvement, corporate reputation, was described in executive interviews as an important factor in influencing the firm’s choice of disclosure strategy. The results of the secondary analysis, which included corporate reputation, suggested that it was negatively related to the GRI application level. While the sample from this study was too small, the relationship here could best be explained by legitimacy theory. Low corporate reputation rankings may signal to the firm that legitimization is required. As a result, firms with lower reputation scores report at higher
levels to signal legitimacy. Conversely, for firms with higher reputation scores, a high application level is not needed to signal legitimacy.

While a relationship was observed between corporate reputation and the firm’s reporting level, it was not related to the firm’s choice of third party assurance. As noted earlier, companies often mimic the behaviors of firms they hold up as role models and are more likely to justify their decisions based on the actions those companies have taken (Milne & Patten, 2002; Nikolaeva & Bicho, 2011). The findings here would seem to suggest that the firm’s choice to pursue third party assurance may be driven more by firms they emulate than by their own corporate reputation.

**Environmental Turbulence**

Interviews with executives seemed to shed little light on economic turbulence. While the availability of resources within the firm was mentioned, there were no references made to either the general economy or to factors affecting the industry of which they are a part. Economic turbulence, like firm financial performance, was thought to impact the firm’s ability to invest in CSR and its associated disclosure. In this study, none of the measures of economic turbulence - GDP growth, performance risk and demand instability - were related to either the firm’s choice of GRI application level or the firm’s choice of third party assurance.

The CSR reports, which were the focus of this study, were compiled in 2011 during the global recession. The reporting experience of the firms, which was discussed relative to financial performance, has seemingly led to the establishment of institutionalized reporting norms. Evidence of these norms is found in both the executive interviews and data from the quantitative study. These norms lead firms to maintain their
level of reporting despite adverse economic conditions. The lack of relationship between GDP and the firm’s application level and its choice of third party assurance also suggests that CSR strategies are stable. This means that CSR reporting can be a valuable tool for companies to express concern for society and demonstrate legitimacy regardless of economic conditions (Othman, Darus & Arshad, 2011).

The results of this study also found that industry focused measures of economic turbulence were not related to either firm’s choice of application level or its choice of third party assurance. The results for both performance risk and demand instability suggest that firms are not affected by industry volatility. Past research also has shown that certain industries have more intense competition, receive more scrutiny from regulators and/or be more visible by stakeholders. Being part of these higher profile industries has been shown by earlier researchers to impact the firm’s disclosure strategy. These results show, however, that firms are not affected by industry membership. Taken together, these results once again suggest companies’ CSR disclosure strategies are driven by institutional norms. As was shown before, these results also seem to suggest that firms compare themselves to firms outside of their industry when assessing their CSR disclosure.

Unlike economic turbulence, measures of political turbulence were found to be strong predictors of both the firm’s application level and its choice of third party assurance. This can be attributed to the firm’s desire to be seen as legitimate. The need for legitimacy increases during political turbulence and the results from this study support that notion. Localized external pressure and disruptive events like political turbulence are believed to be threats to the firm’s legitimacy (Hoffman, 1999). These factors can
create institutional pressure to adapt policies and practices. As a result, norms and expectations may change over time and create incongruity between a firm’s values and those of society.

In order to maintain legitimacy, the firm must monitor the environment and be ready to engage in a legitimization process (Ashforth & Gibbs, 1990; Islam & Deegan, 2010). Past research has shown national institutions to be a strong predictor of firm level CSR practices. Empirical evidence has also suggested that the institutional environment plays a pivotal role in influencing companies reporting practices (O’Dwyer, 2003). Not only have institutional pressures been shown to be strong determinants of CSR disclosures, they have also been able to play a role in firms’ adoption of the GRI standards. In the executive interviews, one company described its disclosure strategy as being actively prepared for issues that can be predicted and to respond reactively on a case-by-case basis for those that cannot be predicted.

The Government Stability Index measured government unity, legislative strength and popular support (ICRG, 2012). The Law and Order Index assessed the strength and impartiality of the legal system, as well as observance of the law (ICRG, 2012). Finally, the Bureaucracy Quality Index measures the expertise, quality and stability of elected officials and their administrative counterparts. The results from the quantitative study indicate that as the quality and stability of elected officials drops, there is an increasing need to be seen as legitimate. This is important because reporting at a higher level may help reduce future calls for mandatory reporting and for increased government regulation. Higher reporting levels could also be interpreted by government as a signal from the firm that it is being more transparent.
Government stability and bureaucratic quality were found to be strong predictors of both the firm’s chosen application level and third party assurance. These findings are consistent with past research which showed that firms that are more attuned to the environment are more sensitive to institutional pressures and are more likely to respond through increased disclosure (Nikolaeva & Bicho, 2011). The disclosures also provide a means by which to signal stakeholders that companies have sound CSR activities. They also provide a valuable tool for companies to express concern for society and demonstrate legitimacy (Othman, Darus & Arshad, 2011).

These findings are important for two reasons. First of all, these findings suggest as government stability and bureaucratic quality decrease, the firm chooses higher application levels. It also chooses to have its reports assured by a third party. This could further indicate that firms may view government as having greater salience than other stakeholders.

The findings also reinforce the role of legitimacy theory, which suggests that for the firm to maintain legitimacy; it must be cognizant of changes to the environment and be ready to engage in a legitimization process (Ashforth & Gibbs, 1990; Islam & Deegan, 2010). Disclosing CSR-related activities and engaging in the assurance process serves to signal legitimacy, which may be helpful where government stability and bureaucratic quality are low (Bebbington, Larrinaga-Gonzalez & Moneva-Abadia, 2008; Fombrun & Gardberg, 2000; Gray et al., 1995).

The final measure used to assess political turbulence was only found to have a relationship with a firm’s choice of third party assurance. These results are not unexpected considering that Law and Order Index is used to assess the observance of the
law. This can also be best explained using legitimacy theory. By operating within society’s norms and expectations and providing third party assurance, the firm receives support for its operations in an environment, which values adherence to the law (Guthrie & Parker, 1989; O’Dwyer, 2003; Suchman, 1995).

**Limitations**

The executive interviews served to help confirm the model and inform data interpretation. However, due to language limitations, the firms that were included in this study were restricted to those whose executives spoke English. This led to a sample of companies based either in the United States or Western Europe. Firms in Asia, Africa and Latin America were not included. As a result, key insights from these regions were not included.

Another limitation of the executive interviews was that open-ended questions that were included were overly broad. The questions were helpful in identifying holes in the model, but were too broad to sufficiently delve into the constructs or into each of the individual variables. More specific questions are needed to provide deeper insight into the firm’s strategy and its process for reporting.

Finally, the questions that were included provided more insight into the choice of application level than into the firm’s decision to pursue 3rd party assurance. Respondents were asked what influenced their current application level choice, but they were not asked what influenced their use of the GRI framework. They were not asked about what influences their decision to pursue 3rd party assurance. While many of the respondents shared that information, the interviews could have provided greater insight about the choice of third party assurance.

The sample used in the quantitative portion of the study also had limitations. With
the inclusion of certain financial measures, only public companies were included in the study. While the data set that resulted was substantial, it was too small to be able to analyze both an analysis sample and a holdout sample. Splitting the sample into these smaller samples would have reduced the sample size further and reduced the power of the model (Hair, et al., 2010).

As a result of the focus on public companies, private firms, cooperatives, non-profit organizations, partnerships, state owned companies and subsidiaries that are included in the registry were not included in the sample. While these organizations would not have been able to be included in the present model given the included measures, further evaluation and a refined model may help provide additional insight about CSR disclosure strategies.

There were also limitations associated with specific variables. The most notable of these is corporate reputation. While difficulty with past corporate reputation measures was noted prior to the start of the study, the number of companies with RepTrak scores was so limited that it was difficult to draw conclusions from this variable. Additionally, measures of stakeholder involvement do not adequately capture the power, legitimacy or urgency of individual stakeholders.

**Future Research**

The findings from this study reinforce the need for additional study of CSR disclosure strategy. As has been noted throughout the discussion presented here, a number of questions persist that require examination. These questions will result in areas of additional research that should be undertaken.

One area that must be more closely examined in future research is the role of specific stakeholders. The executive interviews shed light on the influence of certain
stakeholders. Additional research is needed to understand if the inclusion of specific stakeholder groups in the CSR report influences either the choice of application level or the decision to pursue third party assurance. In addition to data that can be gleaned from a quantitative study, numerous questions remain about stakeholders that require additional qualitative interviews. For instance, what criteria does the firm use to rank order its stakeholders? Once the firm has prioritized its stakeholders, do the goals for reporting differ by stakeholder and if so, how might they differ? These questions can help shed light on the role of stakeholder salience in determining a firm’s CSR disclosure strategy.

The results suggested that for firms with reporting experience, firm size and firm age are no longer criteria that are used to determine potential comparators. Given this change, it is important to understand the criteria firms now use. It would be useful to examine companies that have changed their reporting levels during the last two years to determine if there is a difference between those firms and firms who have maintained their reporting level. A similar examination should be undertaken of those who have applied third party assurance in the last two years versus those that have remained consistent. Finally, it would be useful to examine firms that have not chosen an application level to understand the role that firm size and firm age have as predictors compared to reporting experience.

Questions remain about institutional norms that guide companies in the construction of their CSR reports. It is also not clear what these norms consist of and what role the firm’s values and corporate culture may play. As the role of the Board of Directors shifts from strategic to advisory, it would be useful to understand how the role
of the Board and the role of senior staff differ. It is also unclear what role individual business units might play in shaping the disclosure strategy.

There are also questions about institutional processes that companies follow to construct their CSR reports. While executives described the role of committees within their firms, the size and makeup of those committees is still unclear. It would be helpful to understand how many employees may be involved formally and informally and how their roles differ. The role of third party advisors and consultants is also unclear. Further research is needed to understand how these individuals may influence the structure of the report, the choice of application level and the role of third party assurance. Greater clarity about their role in strategy and report development could also be beneficial. These questions would require a mix of both qualitative and quantitative research.

One final area of future research that could be useful is to understand the role of other influencers. A topic that was discussed during one of the executive interviews was the benchmarking of that firm against others who were thought to be leaders in CSR reporting. It was not clear what criteria might be used by the firm or by other firms to determine comparators. It is also unclear what role the UN Global Compact, Carbon Disclosure Project and other similar efforts may have on a firm’s reporting.

**Implications**

This study has significant implications for firms that employ CSR disclosure strategies and for the researchers who study them. The factors that once influenced CSR disclosure strategies have changed with the evolution of CSR reporting practices and the introduction and widespread adoption of the GRI Guidelines. This research sought to understand if theoretical models proposed by Ullmann (1985) and Adams (2002) were still sufficient to explain the determinants of a firm’s CSR disclosure strategy.
Ultimately, it sought to understand if non-financial corporate characteristics, financial performance, stakeholder involvement and environmental turbulence were predictive of the firm’s choice of GRI application level and whether or not it should pursue third party assurance.

While only one of the four constructs was supported, the combination of predictive variables that were shown to be related help strengthen our understanding of disclosure strategy. For practitioners, there are four key concepts that firms must consider in developing their CSR disclosure strategy. These include stakeholder salience, environmental turbulence, mimetic behavior, and institutional norms.

Stakeholder salience suggests that certain stakeholders are prioritized by the firm because of their power, their legitimacy and the urgency of their issue (Mitchell, et. al, 1997). Practitioners must pay close attention to these criteria as they determine which stakeholders should the focus of the firm’s CSR disclosures. Of the stakeholders in this study, government was most powerful not just because of its interactions with the firm, but also because of its ability to create a turbulent business environment.

Practitioners must monitor the impact of government at all levels and understand the threat environmental turbulence may play in undermining the firm’s legitimacy. Decreases in government stability and bureaucratic quality have created political turbulence that has led firms to choose higher application levels and third party assurance. In this turbulent environment, practitioners must also be prepared to modify the reporting strategy their firm employs for CSR reporting in order to meet society’s expectations and the expectations of key stakeholders (Ader, 1995, Neu et al., 1998; Yongvanich & Guthrie, 2006).
In developing disclosure strategies, practitioners must also be aware of criteria that guide their choice of comparator firms and the mimetic behaviors that result. Firms have based their disclosure strategy on those firms with reporting experience rather than those who are the largest or oldest. While they have mimicked the reporting practices of other companies, the influence of those firms may not fully be appreciated. Given this research, practitioners should proactively consider how they choose comparator firms. Understanding these factors will help guide future CSR disclosure strategies. It is also important that they recognize that the practices firms adopt will ultimately become institutional norms that shape the firm’s reporting. Those charged with developing the firm’s disclosure strategy should be aware of how institutional norms, values and beliefs shape the business environment in which the firm operates and its strategy for reporting (Hoffman, 1999; Jackson & Apostolakou, 2010; Nikolaeva & Bicho, 2011).

For scholars, the results of this study help strengthen the understanding of theories used to explain a firm’s CSR disclosure strategy. Ultimately, the findings suggest that theoretical models proposed by Ullmann (1985) and Adams (2002) are no longer sufficient to explain the factors that influence a firm’s strategy for CSR reporting. Past efforts to explain the quantity and quality of CSR reporting have relied on a broad set of theories. Institutional, stakeholder and legitimacy theories all have a role in explaining the determinants of a firm’s disclosure strategy and must work in concert with one another if disclosure strategies are to be explained sufficiently.

This study reinforced that no single theory is sufficient to explain CSR reporting. Instead, future studies must employ a broad theoretical framework similar to that which has been used here. In applying this theoretical framework, researchers like practitioners
must pay attention to certain key concepts. Based on this research, future studies of CSR disclosure strategy must pay attention to stakeholder salience, environmental turbulence, the firm’s mimetic behavior and the institutional norms it adopts.

Stakeholder salience suggests that certain stakeholders are prioritized by the firm because of their power, their legitimacy and the urgency of their issue (Mitchell, et. al, 1997). Research should examine a set of stakeholders that is determined based on stakeholder salience. Based on this research, specific stakeholders like employees, customers, shareholders, government and non-governmental organizations must be included. Others may be examined, but only if they are deemed to have salience and be central to understanding CSR disclosures.

In this study, government was found to be the most powerful stakeholder. Government stability and bureaucratic quality have shaped the business environment and led firms to choose higher application levels and third party assurance. This has created a need to better understand environmental turbulence and the role of the business environment in shaping firms’ disclosure strategies. The firm’s pursuit of legitimacy means it must also monitor the environment and be ready to engage in a legitimization process. In the future, conceptual models used to explain CSR disclosure strategies should include both specific stakeholders and environmental turbulence.

Finally, mimetic behaviors and institutional norms are also concepts that shape the firms reporting strategy. This research suggests that firms are now likely to mimic other companies CSR reporting efforts based on their reporting experience. Scholars must better understand the criteria that guide the choice of comparator firms. It is also crucial to understand the comparison process and how mimetic behaviors develop.
As has been noted, firms mimic the reporting practices of other companies, but may not fully appreciate the influence those firms may have. Given the role that these firms have, scholars must better understand the process of comparison and how this helps inform CSR disclosure strategies. As firms gain experience, their choices of application level and third party assurance are institutionalized within the firm. It is important first to understand how the practices a firm adopts guides its reporting. It is also important to understand how the firm’s experience influences institutional norms that ultimately guide its disclosure strategy. Given what has been learned here, both mimetic behaviors and institutional norms must be included in future models.

As shown here, this study has significant implications for both practitioners and scholars in furthering our understanding of CSR disclosure strategies. Widespread adoption of the GRI Guidelines and firms’ experience with this framework has influenced CSR disclosure strategies that firms employ. As use of the GRI continues to grow, practitioners must consider how stakeholder salience, environmental turbulence, mimetic behavior and institutional norms shape their strategies. At the same time, researchers must continue to understand how these and other factors that have not been studied here may be predictive of the firm’s choice of GRI application level and whether or not it should pursue third party assurance.
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APPENDIX A

GRI Performance Indicators (GRI, 2012, 26-39)

Economic Performance Indicators

Aspect: Economic Performance

**EC1 (Core)** Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.

**EC2 (Core)** Financial implications and other risks and opportunities for the organization’s activities due to climate change.

**EC3 (Core)** Coverage of the organization’s defined benefit plan obligations.

**EC4 (Core)** Significant financial assistance received from government.

Aspect: Market Presence

**EC5 (Additional)** Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.

**EC6 (Core)** Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.

**EC7 (Core)** Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.

Aspect: Indirect Economic Impacts

**EC8 (Core)** Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.

**EC9 (Additional)** Understanding and describing significant indirect economic impacts, including the extent of impacts.

Environmental Performance Indicators

Aspect: Materials

**EN1 (Core)** Materials used by weight or volume.
EN2 (Core) Percentage of materials used that are recycled input materials.

Aspect: Energy

EN3 (Core) Direct energy consumption by primary energy source.

EN4 (Core) Indirect energy consumption by primary source.

EN5 (Additional) Energy saved due to conservation and efficiency improvements.

EN6 (Additional) Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.

EN7 (Additional) Initiatives to reduce indirect energy consumption and reductions achieved.

Aspect: Water

EN8 (Core) Total water withdrawal by source.

EN9 (Additional) Water sources significantly affected by withdrawal of water.

EN10 (Additional) Percentage and total volume of water recycled and reused.

Aspect: Biodiversity

EN11 (Core) Location and size of land owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

EN12 (Core) Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

EN13 (Additional) Habitats protected or restored.

EN14 (Additional) Strategies, current actions and future plans for managing impacts on biodiversity.

EN15 (Additional) Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
Aspect: Emissions, Effluents And Waste

**EN16 (Core)** Total direct and indirect greenhouse gas emissions by weight.

**EN17 (Core)** Other relevant indirect greenhouse gas emissions by weight.

**EN18 (Additional)** Initiatives to reduce greenhouse gas emissions and reductions achieved.

**EN19 (Core)** Emissions of ozone-depleting substances by weight.

**EN20 (Core)** NO, SO and other significant air emissions by type and weight.

**EN21 (Core)** Total water discharge by quality and destination.

**EN22 (Core)** Total weight of waste by type and disposal method.

**EN23 (Core)** Total number and volume of significant spills.

**EN24 (Additional)** Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally.

**EN25 (Additional)** Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.

Aspect: Products And Services

**EN26 (Core)** Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.

**EN27 (Core)** Percentage of products sold and their packaging materials that are reclaimed by category.

Aspect: Compliance

**EN28 (Core)** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Aspect: Transport

**EN29 (Additional)** Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations and transporting members of the workforce.
Aspect: Overall

EN30 (Additional) Total environmental protection expenditures and investments by type.

Social Performance Indicators
Labor Practices/Work Performance Indicators

Aspect: Employment

LA1 (Core) Total workforce by employment type, employment contract and region, broken down by gender.

LA2 (Core) Total number and rate of new employee hires and employee turnover by age group, gender and region.

LA3 (Additional) Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

LA15 (Core) Return to work and retention rates after parental leave, by gender.

Aspect: Labor/Management Relations

LA4 (Core) Percentage of employees covered by collective bargaining agreements.

LA5 (Core) Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.

Aspect: Occupational Health And Safety

LA6 (Additional) Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

LA7 (Core) Rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender.

LA8 (Core) Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.

LA9 (Additional) Health and safety topics covered in formal agreements with trade unions.
Aspect: Training And Education

LA10 (Core) Average hours of training per year per employee by gender and by employee category.

LA11 (Additional) Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

LA12 (Additional) Percentage of employees receiving regular performance and career development reviews, by gender.

Aspect: Diversity And Equal Opportunity

LA13 (Core) Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.

Aspect: Equal Remuneration For Women And Men

LA14 (Core) Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Human Rights Performance Indicators

Aspect: Investment And Procurement Practices

HR1 (Core) Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.

HR2 (Core) Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken.

HR3 (Core) Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

Aspect: Non-Discrimination

HR4 (Core) Total number of incidents of discrimination and corrective actions taken.
Aspect: Freedom Of Association And Collective Bargaining

**HR5 (Core)** Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk and actions taken to support these rights.

Aspect: Child Labor

**HR6 (Core)** Operations and significant suppliers identified as having significant risk for incidents of child labor and measures taken to contribute to the effective abolition of child labor.

Aspect: Forced And Compulsory Labor

**HR7 (Core)** Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of all forms of forced or compulsory labor.

Aspect: Security Practices

**HR8 (Additional)** Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.

Aspect: Indigenous Rights

**HR9 (Additional)** Total number of incidents of violations involving rights of indigenous people and actions taken.

Aspect: Assessment

**HR10 (Core)** Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.

Aspect: Remediation

**HR11 (Core)** Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.

Society Performance Indicators

Aspect: Local Communities

**SO1 (Core)** Percentage of operations with implemented local community engagement, impact assessments and development programs.

**SO9 (Core)** Operations with significant potential or actual negative impacts on local communities.
SO10 (Core) Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.

Aspect: Corruption

SO2 (Core) Percentage and total number of business units analyzed for risks related to corruption.

SO3 (Core) Percentage of employees trained in organization’s anti-corruption policies and procedures.

SO4 (Core) Actions taken in response to incidents of corruption.

Aspect: Public Policy

SO5 (Core) Public policy positions and participation in public policy development and lobbying.

SO6 (Additional) Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.

Aspect: Anti-Competitive Behavior

SO7 (Additional) Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.

Aspect: Compliance

SO8 (Core) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Product Responsibility Performance Indicators

Aspect: Customer Health And Safety

PR1 (Core) Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures.

PR2 (Additional) Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.

Aspect: Product And Service Labeling

PR3 (Core) Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.
PR4 (Additional) Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.

PR5 (Additional) Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

Aspect: Marketing Communications

PR6 (Core) Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.

PR7 (Additional) Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.

Aspect: Customer Privacy

PR8 (Additional) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

Aspect: Compliance

PR9 (Core) Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.
APPENDIX B

Interview Questions

1. Please describe your role in determining your company’s strategy for disclosing CSR activities.

2. Describe the manner in which your company’s strategy for disclosing CSR activities is determined.

3. How long has your company disclosed its CSR activities?

4. How long have you used the GRI Guidelines to guide your CSR reporting?

5. Does your company choose to declare an application level?

6. If so, what GRI application level does your firm currently declare?

7. Has the GRI application level that your company declares changed during the last two years? If so, please describe the change.

8. What factors influenced your company’s current choice of GRI application level?

9. Does your company currently employ third party assurance?

10. Has this changed during the last two years? If so, please describe the change.
Company A, listed on the New York Stock Exchange, is a multi-national automaker with its headquarters in the United States. The company sells automobiles and commercial vehicles under separate brands and in the past, it has also produced heavy trucks, tractors and automotive components. Today, the company employs more than 160,000 employees worldwide (Capital IQ, 2013).

This company was included in the executive interviews because of its long-standing commitment to corporate social responsibility reporting. Company was one of the first to focus on the environmental impact of its activities and have used this to distinguish them from other automakers. The company was also an early adopter of the GRI and has disclosed its activities using the reporting framework since 2000. (GRI, 2012)

1.) Please describe your role in determining your company’s strategy for disclosing CSR activities.

The formal title of the executive who was interviewed is reporting manager. Within the corporate structure, his department is referred to as Sustainability and Safety. His specific role is to manage both the process of reporting and the structure of the reporting efforts. Those who preceded him established the scope of his role. Today, he is responsible for the firm’s mandatory 10K’s and its sustainability report.

Company A has produced 14 sustainability reports and it has used the GRI since the third or fourth report. During the interview, the executive described the firm’s
sustainability journey, which has shaped the sustainability report and other types of communications. The journey has been about more than just the horsepower of its products. It is characterized by a change in the company’s perspective of the world and its role in it. The journey has a definitive starting point and some easy to see milestones. Because it is a continuous process, the journey does not have a definitive end. The company recognizes it needs to be a responsible steward of its resources. It sees the business impact of climate change. The company also recognizes that it was part of the problem and now seeks to be part of the solution. Today, it is focused on the benefits of smart water and power use. The company has also looked at how to harness its philanthropic support. As an example, the company’s employees are using technology from city centers to help ensure pregnant women in Chennai get the healthcare they need. This demonstrates how the company is thinking about things that it did not think about before.

2.) Describe the manner in which your company’s strategy for disclosing CSR activities is determined.

The executive who was interviewed decides the application level for the company’s report. The decision is somewhat dependent on guidance from the GRI. In the past, there have been arguments about what constitutes materiality. It is beyond GRI’s mandate to have companies prove why something is not material. The company has previously reported at an application level as high as A+. He suggested that the number of issues that are reported on is not really an indicator of the report’s quality. The GRI helps provide a wonderful framework to help guide reporting and helps make reports easier for stakeholders to read. If everyone
examined the GRI reports and the framework, then those that would report would be forced to be more consistent.

The company’s annual objective is to report at an application level A with self-assessment. Third party assurance is not a focus because it is tantamount to an audit. It would cost at least as much to assure the report as it does to create it. Additionally, third party assurance would be redundant because much of the data in the report contains information that has to be reported to government agencies and has already been assured.

3.) How long has your company disclosed its CSR activities?

The CSR report that Company A issued in June will be the firm’s fourteenth. Its first report was issued in 1999.

4.) How long have you used the GRI Guidelines to guide your CSR reporting?

The company has used the GRI standard since 2000 and it became an organizational stakeholder in 2003.

5.) Does your company choose to declare an application level? Yes.

6.) If so, what GRI application level does your firm currently declare?

The firm declares an application level A.

7.) Has the GRI application level that your company declares changed during the last two years? If so, please describe the change.

The company’s GRI application level has not changed. It last changed 4 years ago in 2009.

8.) What factors influenced your company’s current choice of GRI application level?

Pride is one of the primary factors. GRI is the best standard and the others compete rather than cooperate. The GRI is also part of the company’s sustainability
journey. CSR disclosures have become a good habit and the company likes the reputational benefits that come with the good habit. The company is benchmarked by other companies who are just beginning the sustainability journey.

The primary audience for the CSR report is the company’s employees. Corporate leadership wants to help employees be educated ambassadors for the company. Investors are also an important audience, but not the primary audience.

9.) Does your company currently employ third party assurance?

The firm does not employ third party assurance.

10.) Has this changed during the last two years? If so, please describe the change.

The company’s use of third party assurance has not changed in the last two years.

Interview Transcript - Company B

Company B, listed on the New York Stock Exchange, is a multi-national pharmaceutical company with its headquarters in the United States. It ranks amongst the top 15 globally based on its market capitalization (Genetic Engineering and Biotechnology News, 2013). The company discovers, develops, manufactures, and sells pharmaceutical products for both human and animal health. Today, the company employs approximately 38,000 employees across the globe (Capital IQ, 2013).

This company was included in the executive interviews because of its intermittent approach to disclosing its CSR activities. While Company B is well known for its philanthropic activities, the company has exhibited an inconsistent approach to reporting. As an example, the company first reported their CSR activities in 2003, but has often skipped several years between reports. Prior to the firm’s 2011 report, the company’s last disclosure took place in 2007 (GRI, 2012).
1.) Please describe your role in determining your company’s strategy for disclosing CSR activities.

The executive works with key external advisors outside of Company B to understand what other companies are doing and this helps influence Company B’s choice. After the pros and cons are weighed, recommendations are made about the most appropriate application level. Third party assurance has not been an option due to cost.

2.) Describe the manner in which your company’s strategy for disclosing CSR activities is determined.

Company B’s reporting is driven by two major factors. The first is the willingness of key corporate functions to disclose information. Some areas are not willing at all. The second factor is the adequacy of staff and resources.

3.) How long has your company disclosed its CSR activities?

The company started disclosing its CSR activities in 2003 but it has not reported continuously. It has reported on an annual basis since signing onto UN Global Compact. Annual reports meet the criteria set out by both GRI and UN Global Compact. Every other year it does a full report.

4.) How long have you used the GRI Guidelines to guide your CSR reporting? 2011

5.) Does your company choose to declare an application level? Yes.

6.) If so, what GRI application level does your firm currently declare?

The firm declares an application level B.

7.) Has the GRI application level that your company declares changed during the last two years?

The company’s GRI application level has not changed.
8.) What factors influenced your company’s current choice of GRI application level?

The factors that influenced Company B’s current choice of GRI application level are the cost of reporting and concerns over reporting data that could prove to be a competitive disadvantage.

9.) Does your company currently employ third party assurance?

The firm does not employ third party assurance.

10.) Has this changed during the last two years? If so, please describe the change.

The company’s use of third party assurance has not changed in the last two years.

**Interview Transcript - Company C**

Company C, listed on the Swiss stock exchange, is a multi-national human resource staffing firm with its headquarters in Switzerland. The company offers firm provides staffing, placement, career and outsourcing services as well as consulting with firms about its human resources needs. The company employees 33,000 employees in over 60 countries around the world (Capital IQ, 2013).

This company was included in the executive interviews because it is focused on services rather than tangible products. Company C did not begin to use the GRI reporting framework to disclose its activities until 2008. Since that report was issued, the company has consistently used the GRI framework (GRI, 2012).

1.) Please describe your role in determining your company’s strategy for disclosing CSR activities.

The executive is part of a CSR Disclosure Steering Committee that determines the focus of the report and the key performance indicators.
2.) Describe the manner in which your company’s strategy for disclosing CSR activities is determined.

Company C relies on small group of countries to be part of a CSR Disclosure Steering Committee. The CSR report is focused on 6 areas and the committee has developed key performance indicators for each. For the first time, the board of directors reviewed and approved the company’s CSR report.

The company’s approach to reporting has not always been strategic. In the past, the information that each country would contribute to the report lacked uniformity. This year the approach was more strategic. Representatives from each country were given a questionnaire and asked to collect the required data from different parts of the organization. The amount of information needed was large with 4,000 questions requiring answers and it has plans to be more strategic in its future reporting.

3.) How long has your company disclosed its CSR activities?

Company C first disclosed its CSR activities in 2004.

4.) How long have you used the GRI Guidelines to guide your CSR reporting?

Company C has used the GRI Guidelines to guide its CSR reporting since 2008 although it did produce CSR Reports from 2004-2007.

5.) Does your company choose to declare an application level? Yes.

6.) If so, what GRI application level does your firm currently declare?

The firm declares an application level B.

7.) Has the GRI application level that your company declares changed during the last two years?

The application level that the company declares has not changed during the last
two years.

8.) What factors influenced your company’s current choice of GRI application level?

   The maturity of CSR within the company has been the primary factor that has influenced the company’s current application level.

9.) Does your company currently employ third party assurance?

   The firm does not employ third party assurance.

10.) Has this changed during the last two years? If so, please describe the change.

   The company’s use of third party assurance has not changed in the last two years.

**Interview Transcript - Company D**

Company D, listed on the DAX, is a multi-national company with its headquarters in Germany. The company develops, produces, and markets health care and agriculture products, and high-tech materials worldwide. Today, the company employs approximately 113,000 employees across the globe (Capital IQ, 2013).

This company was included in the executive interviews because of its broad business mix and its long-standing approach to CSR reporting. Company D has consistently used the GRI framework to guide its reporting and has reported at the highest possible level. The firm has reported at an A+ level since 2008 (GRI, 2012).

1.) Please describe your role in determining your company’s strategy for disclosing CSR activities.

   Company D looks at CSR more holistically and as such refers to its efforts as sustainability rather than merely CSR. There are people throughout the organization who are responsible for sustainability and this includes a member of the board of directors as well as representatives from each division -material science, healthcare and crop science.
There is a clear commitment to follow up on sustainability activities throughout the company.

Decisions about the firm’s sustainability strategy are made by a sustainability committee. Three to four times per year representatives from the business units sit together to talk about activities and strategies. On an annual basis, it discloses activities in the report. From next year onward, it will be incorporated into the annual report. It will play an important role in that report. It is important that it be integrated part of its reporting.

2.) Describe the manner in which your company’s strategy for disclosing CSR activities is determined.

Each division is asked to develop an individual strategy. Under this motto, it is the company’s aim to help provide broad access to innovative products in healthcare with a focus on less well-resourced countries. The commercial focuses on how in the country availability will be provided. For instance, it has put a program in place for family planning methods focused on women and girls where it is working with international partners like the United Nations Population Fund. It is also focusing on tropical and neglected diseases and looking at how can it broaden its product portfolio to focus on these under-served areas.

From innovation to areas of pure CSR, each division takes responsibility for its planning. In order to avoid overlap, the sustainability committee discusses these plans and the headquarters function is also included.

3.) How long has your company disclosed its CSR activities?
It has disclosed its CSR activities since 2001 in a stand-alone report. Next year’s report will be included as part of the Annual Report rather than as a stand-alone.

4.) How long have you used the GRI Guidelines to guide your CSR reporting?

It has orientated its report on the GRI guidelines since 2001 and reported according to GRI Guidelines since 2005.

5.) Does your company choose to declare an application level? Yes

6.) If so, what GRI application level does your firm currently declare?

It declared an A+, which has been the declared level since 2008.

7.) Has the GRI application level that your company declares changed during the last two years?

The application level that the company declares has not changed during the last two years.

8.) What factors influenced your company’s current choice of GRI application level?

Company D wants to be perceived as a company that is transparent. The latest report will includes key performance indicators and it reports what it plans to achieve and what it has achieved. It provides information on all issues which the company and its stakeholders consider to be relevant for sustainability.

9.) Does your company currently employ third party assurance?

The firm does not employ third party assurance.

10.) Has this changed during the last two years?

The company’s use of third party assurance has not changed in the last two years.

Price Waterhouse Coopers has reviewed all content included in Company D’s sustainability report. The reason for integrating the sustainability report into the annual
report is the growing relevance of non-financial key performance indicators for the evaluation and assessment of companies. It is also a general trend.

**Interview Transcript - Company E**

Company E, listed on the NYSE, is a multi-national company with its headquarters in the United States. The company develops, produces, and markets consumer packaged goods through its three business units. One of the business units is focused on the national market for consumer products while another is focused internationally. The remaining business unit is focused on specialty products. Today, the company and its subsidiaries employ approximately 4,300 employees across the globe (Capital IQ, 2013).

This company was included in the executive interviews because of its consumer focus and its limited experience with CSR reporting. Company E has only reported since 2007 and only employed the GRI framework in its 2011 report (GRI, 2012).

1.) Please describe your role in determining your company’s strategy for disclosing CSR activities.

The executive who was interviewed is responsible for monitoring indicators and key forces within the industry. Additionally, topics of interest to customers, shareholders, NGO’s and government are also monitored. The composite findings are then shared with the Executive-VP level staff that is responsible for research and development, human resources, operations, legal and marketing. The findings are also shared with the CEO who writes introductory comments for the reports.

2.) Describe the manner in which your company’s strategy for disclosing CSR activities is determined.
The company does not seek to be a leader in CSR reporting. Instead, the company’s strategy is to be actively prepared for issues that can be predicted. For those that cannot be predicted, the company responds reactively on a case-by-case basis.

Executive-VP level staffs that are responsible for research and development, human resources, operations, legal and marketing are briefed about indicators and key industry issues. They are also briefed on key topics of interest to customers, shareholders, non-governmental organizations and government. The risk level associated with each of these is determined and this informs leadership’s final determination as to what will be reported.

If government proposes rules, information is shared with management and a plan of action is suggested. If a non-governmental organization makes a request, the company weighs the public relations risks. Shareholders also receive rapid attention. For example, a financial firm in Canada asked the company in 2007 to issue a sustainability report. After quickly doing a gap analysis, the info was gathered and a report was started.

Of all its stakeholders, however, alignment with customers and consumers is considered most critical. The company sells its retail products directly to customers like groceries and other retailers who then sell them to consumers. It also sells large scale and bulk products to industrial customers. Because customers are interested in green disclosures, the company has responded by posting the ingredients to its products.

3.) How long has your company disclosed its CSR activities?

The company first disclosed its CSR activities in 2007 when it issued its first report. Prior to 2007, the firm shared information about CSR activities in both its 10K report and its annual report.
4.) How long have you used the GRI Guidelines to guide your CSR reporting?

The company has used the GRI standard since 2007.

5.) Does your company choose to declare an application level? Yes.

6.) If so, what GRI application level does your firm currently declare?

The firm declares an application level C.

7.) Has the GRI application level that your company declares changed during the last two years?

The firm’s application has not changed during the last two years. The firm is adept at this reporting level.

8.) What factors influenced your company’s current choice of GRI application level?

The company’s current choice of GRI application level is driven by the number of indicators on which it reports. The company reports on those items required for the C level plus eight to nine additional items for a total of twenty. While the number of items is equivalent to that required for a B level, the items on which it reports on are not the same as those required for the B.

The company’s CSR program is young. In determining its disclosure strategy, the type of company and its universe of stakeholders must be considered. Those responsible for the strategy believe it is more important to be consistent in what the firm reports instead of reporting at the highest level over night. In the future, the firm may choose to elevate its application level to a level B.

Company E has a long heritage of environmental concern but has yet to sign on to either the UN Global Compact or the Carbon Disclosure Project. Signing on to either of these would put too much pressure on the company to move faster in its reporting than it
wants to go. Signing on may also cause redundancy. The company already reports greenhouse gases and it wants to control its own programs rather than ceding control to someone else.

9.) Does your company currently employ third party assurance?

The firm does not employ third party assurance.

10.) Has this changed during the last two years? If so, please describe the change.

The company’s use of third party assurance has not changed in the last two years. It does use 3rd party auditors for other programs. Responsible Care is an audit of what the specialty products division goes through every year.