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**Social and Environmental  
Reporting in the UK**

**A Neo-Gramscian Critique**

**Crawford Spence**

**A THESIS PRESENTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS OF THE DEGREE OF DOCTOR OF PHILOSOPHY AT THE  
UNIVERSITY OF ST ANDREWS**

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## DECLARATIONS

1. I, Crawford Spence, hereby certify that this thesis, which is approximately 100,000 words in length, has been written by me, that is the record of work carried out by me and that it has not been submitted in any previous application for a higher degree.

Signed:

28/09/05

**CRAWFORD SPENCE**

2. I was admitted as a candidate for the degree of Doctor of Philosophy in September, 2004 after having transferred from Glasgow University, where two years were spent full time as a doctoral student.

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3. I hereby certify that the candidate has fulfilled the conditions of the Resolution and Regulations appropriate for the degree of Doctor of Philosophy in the University of St Andrews and that the candidate is qualified to submit this thesis in application for that degree.

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## ABSTRACT

This thesis explores the practice of stand-alone Social and Environmental Reporting (SER) in the UK. This exploration encompasses a detailed description of SER practice as it currently is perceived in the UK. SER is conceived ideally as a means of making organisations accountable to wider society by rendering transparent the conflict inherent in commercial activity, in turn empowering wider society. However, in practice this goal remains elusive. It is within this context that a detailed investigation of corporate motivations to SER was undertaken. The thesis reflects upon what these motivations imply for a more accountable SER in the UK context, and generally.

A qualitative methodological approach was taken in the study. Corporate motivations were explored through a series of in-depth interviews with corporate SER managers. In addition to exploring motivations, the interviews were also framed in a way that allowed the ideologies of managers to be interrogated. This represents an attempt to build upon the insights of the SER fieldwork of recent years. The study was also informed by a critical theoretical perspective. Fieldwork that is critically informed in this manner is largely absent from the literature.

The results of this study indicate that SER is driven by a variety of motivations. These motivations are presented as complex and multifarious, manifesting themselves in different configurations across companies. However, the overwhelming majority of these motivations may be understood as forming part of a business case for SER. The thesis is less concerned with dissecting the complexity of the business case than it is with understanding the dominance of this business case *per se*, and what such a dominance implies for SER. This is reflected upon using Neo-Gramscian theory where it is suggested that, given present societal arrangements, companies will always try to render SER as an ideological tool that obfuscates, rather than exposes the conflicts inherent in commercial activity. However, the thesis concludes by suggesting that even this somewhat disappointing state of affairs does not necessarily imply that SER is without emancipatory potential.

## **Chapter 1**

### **Introduction**

#### **1.1 Introduction**

This chapter introduces the thesis, provides a frame of reference with which to appreciate why the thesis has been undertaken, and outlines the structure that the thesis follows. Firstly, the chapter discusses the motivations underlying the thesis. These are described as deriving from a concern with the current economic system and the forms of organisation therein. In particular, the role that accounting plays in the current system and the role that it could play in redirecting the system is considered. This consideration gives rise to the two research questions that the thesis seeks to answer. The way in which the research questions are explored in the thesis is then described. This is done first of all by reference to the methodological approach adopted. Then the theoretical lens that has been employed to interpret the study's findings will be described. Following this description is a discussion of what the study hopes to achieve by further exploring perspectives the perspectives of corporate managers. Finally, the structure of the thesis is outlined by describing each chapter briefly and in turn.

#### **1.2 Motivations for the Thesis**

##### *1.2.1 Concern with the current order*

Lindblom (1977) notes that society has ordered itself around market systems since time immemorial. He is also keen to point out that the capitalist, private enterprise dominated market system where the consumer is ostensibly sovereign that prevails today in advanced industrialised countries is only one of a huge array of possible market systems. For example, there are those types of market system that do not embrace private enterprise. Market socialism would entail government ownership of all corporations. Corporate managers would be replaced by bureaucrats who, as corporate managers ostensibly do in a capitalist system, respond to consumer demands. This approach has been evident in the former Yugoslavia and Hungary. Alternatively, there is the planner sovereignty market system. Instead of being

demand driven, the market becomes an instrument of central planning. Basically, the government purchases final goods from business enterprises and distributes them<sup>1</sup>. The state replaces the consumer as “sovereign” (Lindblom, 1977, p.98). Although all market systems have an element of central planning<sup>2</sup>, it has never been implemented fully. Soviet planners were confused by it and it was not given a thought by Chinese officials (Lindblom, 1977).

There are also non-market systems. There may be authority without money or prices, such as that attempted by Lenin between 1918 and 1921. There are also the more recent Soviet, Cuban and (pre capitalist) Chinese communist forms of economic organisation. Here, authority sets output targets for products and allocates the input resources. Prices exist but they do not play the signalling role that they do in actual markets. There are also communes where decentralised, highly self-sufficient small production units organise themselves in loose association with each other. A small-scale example of this would be the kibbutzism of Israel.

Even a market system that is based on private enterprise can take many different forms depending on the organisation of private enterprise. There could be: producer co-operatives, consumer co-operatives, non-profit organisations, employee self-management (as opposed to the trade union approach). Also, if employees owned the enterprise within which they worked, then the Marxist concern over surplus value would be reformulated. Although dissolving the basic contradiction between owners and employees, employee-owned enterprises could see employees expropriating the wealth of other stakeholders to the firm. Stakeholder-owned enterprises would problematise the distribution of wealth even further. Another possibility is where employees own the firm without owning the capital supplied to it. Labour hires capital, thus inverting the common relationship. Investors are paid for their funds and workers' income is made up from profits. These latter organisations do exist but not

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<sup>1</sup> Conventional wisdom suggests that government influence on the economy is antagonistic to the operation of market forces. Lindblom (1977) defines ‘market’ in a much broader sense, highlighting the importance of government regulation in allowing market forces to play out.

<sup>2</sup> The fact that the government plays a role in any market system blows apart any attempt to mythologize a ‘free market’. Social systems that cede power to market forces require regulation to facilitate and protect the property rights of those forces. Thus, even a ‘free’ market is presupposed by regulation.

commonly because the historical distribution of wealth has always favoured the suppliers of capital (Lindblom).

The point is that other forms of organisation are possible. Of most importance for the thesis is the reformation of the economic system along lines that enhance democracy and social and environmental justice. Individual and small-scale enterprise is still widespread but the growth in number and power of large corporate enterprises constantly displaces and subsumes these (Lindblom, 1977 and see also Morris, 2001). The Corporation is the dominant form of economic institution in the world today, perhaps even the most dominant of any type of institution, as the actions of sovereign states are increasingly determined by corporate interests (see, for example, Bakan, 2004 and Korten, 1995, 1999). However, it should be borne in mind that the corporation has come to dominate only by virtue of an historical accident: “Not by logic, but by history, owners of capital have become the owners of the enterprise” (Lindblom, 1977, p.105). The Anglo Saxon Corporation’s rise to dominance began little over 300 years ago. The corporate form initially emerged and was used by the English and US governments to advance ‘the public good’, specifically as a means of developing public services. It was not until the nineteenth century that judges and legislators refashioned the corporation into an institution with a legal mandate to pursue self-interest:

“with *laissez-faire* ideas dominant at the time, they embraced a new conception of what the public interest required...out of that belief developed a kind of circular logic – still in place today – that justified (and justifies) governments’ facilitation of the interests of corporations. To wit, if serving corporations’ interests advanced the public good, then the public good is advanced when corporations’ interests are served” (Bakan, 2004, p.156).

However, this kind of logic flies in the face of conventional wisdom. This form of private enterprise market system, namely the corporate dominated one, is in actual fact “full of consequence for the distribution of wealth and authority, for job rights, for alienation, and for patterns of social conflict” (Lindblom, 1977, p.105). The often devastating socio-environmental effects of the current corporate-dominated economic system have been well documented (see, for example, Bakan, 2004; Barnett and Cavanagh, 2001; Bourdieu, 1998; Chomsky, 1999; Ekins, 1993; Hawken *et al*, 2000;

Klein, 2001; Korten, 1995, 1999 Madeley, 1999; Stiglitz, 2001; Norberg-Hodge, 2001). Thielemann (2000) notes that the neo-classical view of the market encourages maximisation of profit and precludes ethical criteria. In fact, the neo-classical market precludes anything that does not serve to maximise profit. Market alien values such as empathy, solidarity, love, and environmental concern are in a constantly antagonistic relationship with the destructive juggernaut that is the advanced capitalist market system (Thielemann, 2000).

On a macro level, the pursuit of economic growth and material wealth has arguably lead to destruction of the biosphere and widespread inequality in income distribution and living standards. Lindblom (1977) notes how all market systems of the world have inherited the historical inequality in the distribution of wealth:

“None have gone very far in experimenting with a private property market system from which the effects of marked inequality in wealth are eliminated. Yet market systems that do so can be imagined. They would be drastically different from any existing market system” (Lindblom, 1977, p.105).

Thielemann (2000) suggests that the destructive forces of the market system within which we live are driven, not by human intention, so much as by superindividual forces. That is, the way in which society behaves is not due to some spontaneous order agreed upon by its inhabitants. Rather, market forces are driven by systemic conditions which were formulated through powerful interests by virtue of a “historical accident” (Lindblom, 1977). Therefore, another system that could not only redress inequality of wealth but also a whole plethora of social and environmental issues, is possible.

### 1.2.2 Why Social Accounting?<sup>3</sup>

Accounting is not the most obvious means by which to set about transforming the economic system. Exploring the role of accounting in maintaining the current order, and the potential for accounting to change that order in some way, in the form of a PhD in social accounting, presented itself as a more enriching path than was otherwise presented to the researcher at the time. Prior to undertaking the PhD I had been through an undergraduate degree in accounting. This was largely a(n unconsciously)

doctrinaire process up to the point of taking an accounting theory course in the junior honours year. This course was facilitated in a more dialogical fashion than any other courses (see Thomson and Bebbington, 2004)<sup>4</sup>. What may be described as something of an awakening ensued, encouraging a process of intellectual exploration that put the entire undergraduate degree up until that point into a more comprehensible context. The context within which the degree was looked at before this was somewhat confused and incoherent. Why we were being taught certain things, the ideas that underpinned those things and what roles we would eventually fulfil as accountants all became questionable and the explanation of ‘what accounting is’ appeared to be extremely contingent. Moreover, probing further into that contingency, what previously seemed a normal view of accounting now presented itself as somewhat spurious.

It would be a simplification to say that this third year accounting theory course was an epiphany. The path to substantially increased intellectual and political awareness had started somewhat earlier. However, that previous journey was stunted and lacking direction. The structure provided by the course<sup>5</sup> served to crystallise thoughts which were massively important in laying the foundations for a world view that continues to grow and transform today. This intellectual, emotional, political and spiritual development was further given room to breathe in a social accounting course in the senior honours year, and by that time even the more doctrinaire technical accounting courses were a more rewarding experience, the very consciousness of their contingency enough to render their pretensions to truth somewhat ineffectual.

Thus, toward the end of the degree the liberation brought about through studying accounting theory and social accounting made the prospect of becoming a professional accountant (which was certainly considered as a possibility back then), and essentially adopting the same banal and abstract view of accounting that is

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<sup>3</sup> An effort has been made here to invoke a sense of who the person *was* that embarked upon this process, although the rationalisation is inescapably revisionist in some senses.

<sup>4</sup> Paulo Freire distinguishes between ‘banking’ educational approaches which are largely top-down learn and regurgitate models, and ‘dialogical’ approaches which are much more open-ended and require the students to bring themselves, their own ideologies and experiences into the open. The latter, argue Thomson and Bebbington (2003), can be emancipatory.

<sup>5</sup> The course was still a largely ‘banking’ type of class in the Freirean sense. Again, see Thomson and Bebbington (2003) or Freire (1984).

presented through finance, financial accounting and management accounting, seem literally soul-destroying. Indeed, two days spent with PriceWaterhouseCoopers at the end of third year left an unsavoury impression. Although very pleasant people, the general lack of discussion over what the firm's purpose was or what function in society the firm served other than serving clients, made this pleasantness unpalatable.

The social accounting seed had already been planted by that point. Although it was not entirely social accounting. The accounting theory course did not cover social accounting, although the lecturer was a social accountant. Rather, it was the questioning of accounting *per se* that was primordial. Social accounting seemed to be a very logical consequence of that questioning. Exposing the partiality and bias of accounting left a very clear choice between whether accounting should be built around serving financial investors or a somewhat broader set of interests. Of course, one may suggest that the lecturer engineered the questioning process teleologically, inevitably leading to a social accounting conclusion. However, other students also engaged in this questioning and followed a very different path. Obedience to a particular ideology (however humane any such ideology may be) was not encouraged. Rather, the values imposed were to question, to the point of questioning even that very process. Any ideological outcomes were open-ended.

My own ultimate affinity with social accounting is not easy to reflect upon, although one could say that the intentions and values of the social accounting project resonated strongly at the time, and still do. The ideal of more socially and environmentally minded organisations provided a focus for my own ethical direction, and helped make the world intelligible in a way that seemed to concur with my own experience of reality. Given this experience and the many questions that remained unanswered, further study into social accounting seemed like a much better option than PriceWaterhouseCoopers. I think at that point I wanted to understand the world more than I wanted to change it. Now that I understand the world better, and now that I am surer with that understanding, I can say with more certainty that I want to change the world and feel truly appalled at myself (or at least at the situation that I found myself in) for not having resolutely wanted to change the world sooner even though I have known for years of the suffering that persists.

### 1.2.3 Accounting and Social Change<sup>6</sup>

Such were the circumstances that led to the PhD. Understanding the world now seems necessary in order to change it. In particular, understanding what accounting is and what accounting could be may be one part of a multi-pronged strategy aimed at transforming the current order. Although commonly seen as a set of dry, technical practices that produce relevant information for decision making and perform accountability functions, accounting is far from a neutral activity (Burchell *et al*, 1980). Rather, accounting is used to justify particular actions, privilege certain interests and entrench asymmetric relationships. Indeed, Burchell *et al* (1980) suggest that this may be the primary role of accounting as the descriptive accuracy of accounting's functional claims is questionable.

The interests that accounting privileges specifically are economic. Dominated by neo-classical economics (see, for example, Tinker 1984 and Mouck, 1995), accounting is concerned with what is efficient, rational and maximising in economic terms. This precludes consideration of, and is often directly in conflict with, many notions of social and environmental welfare. Thus, acting on the basis of accounting information may lead to outcomes that are desirable in terms of narrow financial criteria<sup>7</sup> but that are morally indefensible in terms of the way in which those outcomes were reached and in terms of the social and environmental consequences that ensue (Gray *et al*, 1994).

The importance of accounting in privileging (particularly large corporate) commercial interests and reproducing the current order should not be underplayed. At the same time circumspection may be required so as not to disguise the fact that accounting is only one of a complex array of factors that are implicated in providing legitimacy and stability for particular sets of social relations and commercial practices. Nevertheless, that accounting is implicated at all in binding the current order is enough to justify exploring ways of harnessing accounting to more socially and environmentally minded ends.

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<sup>6</sup> The reasons for studying social accounting become yet more revisionist from this point onwards.

<sup>7</sup> Although even this is highly questionable. Van Dierxxcens (2000) notes that neo-classical economics is counter-intuitive in the long term because of its commitment to perpetual growth.

Corporate Social and Environmental Reporting (SER hereafter) is one such form of accounting that has been posited as a means of extending corporate accountability to constituents other than stakeholders (Gray *et al*, 1987, 1996). Moreover, that accounting is meant to account for wider responsibilities than simply making money for shareholders. Such an accounting would assess corporate socio-environmental impacts and interactions, rendering more transparent the fundamental contradictions inherent in large-scale commercial activity (capital versus labour; growth versus environmental stewardship; profit versus people). Ultimately, this could allow a more informed *demos* to consider the role that corporations and financial markets should play (if at all) in society.

### **1.3 Research Questions**

SER challenges companies to justify themselves in socio-environmental terms. The fact that increasing numbers of companies are now doing this in some fashion is clearly of interest and begs questions of why they would do so and of what form these accounts take. This informs the principle research question of the thesis:

Research Question 1: *Why do UK companies voluntary undertake SER?*

Given the concern with the current economic system and forms of organisation therein, this question is viewed in the context of SER's potential to lead to meaningful social change (see, for example, Arnold and Hammond, 1994; Bebbington, 1997, 2001; Bebbington *et al*, 1999; Birkin *et al*, 2005; Gallhofer and Haslam, 1997a, b; Gray, 1992, 2002; Gray and Tinker, 2003; Gray *et al*, 1987, 1996; Lehman, 1999, 2002; O'Dwyer, 2002, 2003; Owen *et al*, 2000, 2001; Thomson and Bebbington, 2005; Unerman and Bennett, 2004). The justification for SER lies in its ability to enhance democracy by exposing the conflicts inherent in advanced capitalism. The extent to which SER does and can achieve these aims strongly informs the way in which the principle research question is explored. As such, the thesis also seeks to answer another question:

Research Question 2: Can SER realise its emancipatory potential?

Radical left-wing critiques of SER point towards its capture and deployment to serve managerial ends. Rather than exposing the conflicts inherent in corporate activity, SER has been described as a tool that obscures those conflicts in order to legitimise corporations and the capitalist system (see, for example, Cooper, 1992, 2002, forthcoming; Everett and Neu, 2000; Lehman, 1999, 2002; Maunders and Burritt, 1991; Puxty, 1986, 1991; Tinker and Neimark, 1987; Tinker *et al*, 1991). Given the interests vested in obscuring and maintaining many of the contradictions inherent in corporate activity, it is problematic to expect corporations to be transparent as doing so would inevitably lead to a questioning of corporate activities. In this sense it is an unlikely vehicle by which to bring about social change and, indeed, the left wing critiques all point towards how SER may actually be counter-productive in terms of achieving its purported aim of enhanced democracy. The thesis seeks to explore these issues by looking particularly at what the stated motivations behind SER imply for the form that SER takes.

**1.4 Approach to Answering the Research Questions**

*1.4.1 Methodological Approach*

The way in which the research questions are explored is through engaging SER practice directly. Interviews with over 30 corporate managers<sup>8</sup> were undertaken in order to elicit the perspectives and ideologies that exist inside organisations, and which may be thought to influence, and themselves be influenced by, SER. This reflects a qualitative approach to research. The choice of qualitative methods in the study can be explained by the methodological leanings of the researcher and also by the more pragmatic identification of perceived gaps in the literature. As regards to the latter, it has been argued that there is a need for more fieldwork in SER as a means to improving our understanding of the phenomenon (Adams, 2002; Deegan, 2004; Gray, 2002, 2005; O'Dwyer, 2003).

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<sup>8</sup> In total thirty-six interviews were undertaken. Eleven of these refer to a pilot study and twenty five to the main empirical study from which the final interpretations were made.

As regards to the methodological leanings of the researcher, ontological and epistemological issues are discussed in an appendix to the main thesis. A broadly hermeneutic approach to understanding is outlined that reflects a desire to embrace the complexity, richness and depth of the social world. This methodological stance presupposes the existence of an objective world that exists in duality with subjective consciousness. Our understanding of the world can only ever be partial and is inevitably filtered through prior understandings and emotional commitments. Understanding is a highly subjective-objective process and any understanding that is communicated through the thesis is primarily the researcher's own understanding. The thesis does not therefore claim to disclose a purely objective truth and indeed is wary of the very possibility of there being any such thing. However, the researcher's understanding has been brought about by reflexively incorporating new phenomena and ideas into fore-understanding and by attempting to open up to the world of the managers interviewed. In these senses, the understandings articulated within the thesis are not merely subjective interpretations, but are based upon the (somewhat) reciprocal, empathetic and mutual exchanges that are fundamental to any conversation.

In addition to a qualitative methodological stance, the thesis is characterised by the use of critical theory. The conversations with corporate managers, although viewed in large measure as facilitating new understanding, have been interpreted critically. Again, the adoption of critical theory stems from the researcher's methodological leanings and concern with the socio-environmental ramifications of the current order:

“Critical Theory draws attention, moreover, to the dominance of a technical rationality obsessed with the ostensibly efficient pursuit of unquestioned objectives, and attempts to rekindle societal debate around goals and values” (Levy *et al*, 2003, p.93)

Critical theory therefore has an emancipatory agenda. However, that agenda need not lead to instrumental interpretations that merely confirm prior theorising. Rather, critical theory is employed reflexively here in order to *facilitate* understanding by probing taken-for-granted assumptions for their ideological underpinnings. Indeed, although critical thinking has been employed throughout the course of the study, the explicit Political Economy theorisation is employed primarily to frame the empirical study and to interpret the results. Thus, the thesis is a social accounting thesis that

employs critical theory rather than a critical theory thesis that draws on social accounting empirical phenomena for its own theoretical development.

#### 1.4.2 Political Economy Theory

It is the ‘capture’ by business of social accounting and de-radicalisation of notions of responsibility and sustainability that dog the social accounting project and which the thesis attempts to understand in order to explore the emancipatory possibilities of SER. It does so through a Political Economy theorisation that incorporates the subtleties of business concessions to civil society into its analysis. Although capture ultimately represents some sort of failure, it may also signify some sort of potential success for enhanced democracy. In the thesis, SER is set within a context of an advanced capitalism that is both resilient and adaptive. Rather than being based exclusively on coercive pressure, capitalism is viewed as a complex system that is perpetuated through the consent granted to it by civil society. A key part of this Political Economy framework focuses on the importance of ideology and discourse in establishing consent. A SER that obscures the conflicts inherent in capitalism may serve to perpetuate an ideology that presents corporate interests as commensurate with wider socio-environmental interests. A more complete and accountable SER in contrast represents a very real threat to the current order as it would involve bringing submerged conflicts to light and inevitably undermine, at least to some extent, any ideological basis for modern day advanced capitalism. Thus, greater accountability would likely encourage dissent rather than consent. This may explain why the quality of SER in practice is so poor and why accountability remains an elusive ideal (see, for example, Adams, 2004; Gray, 2000, 2004; Gray and Milne, 2002, 2004; Milne *et al*, 2005; Thomson and Bebbington, 2005). How such partial and selective reporting comes about; what ideological functions it serves and is underpinned by; and whether the situation could be otherwise, will be explored and reflected upon.

In bringing about consent, sophisticated processes of alliance forming and coalition building are necessary. Part of these processes involves making accommodations and concessions to antagonistic and politically weaker groups. Viewed in this context, voluntary corporate initiatives tend toward the establishment of consent in some form for corporate activities. In return for this consent, which is always unstable, concessions are inevitably made. It is in these concessions made to subordinate

groups that possibilities for more meaningful social change lay. SER, for all its capture, may yet retain some emancipatory possibility.

### 1.4.3 Perspectives of Managers

In interviewing corporate managers, the study seeks to build upon previous qualitative work in the SER field. Managerial perspectives have been sought on a range of different, yet related subjects. For example, Bebbington and Thomson (1996) and Gray and Bebbington (2000) have explored managerial conceptions of sustainability, finding that incoherent but generally ‘weak’ conceptions were held. O’Dwyer (2003) has explored managerial perceptions of Corporate Social Responsibility (CSR) in the Irish context, finding that CSR was viewed largely as a means by which to respond to social pressures in a strategic fashion.

Others have interviewed corporate managers to ascertain motivations directly. For example, in a rare in-depth case study Buhr (2002) found that the initiation of environmental reporting across two different firms could be explained by different configurations of motivations and dynamic interactions. Adams (2002) suggests that the reasons for reporting can be explained also by factors internal to the organisation rather than purely by the existence of external pressures as is commonly suggested by dominant SER theories. Furthermore, Miles *et al* (2002) outline a number of different reasons, as articulated by corporate managers, for both initiating SER and continuing SER.

Each of the above studies, and others (see for example, Gray *et al*, 1995c; Larrinaga *et al*, 2001; Larrinaga and Bebbington, 2001; Norris and O’Dwyer, 2004; O’Dwyer, 2005; Rahaman *et al*, 2004) all point toward how managerial perceptions offer rich sources of empirical data. The studies on SER motivations imply that these are more complex and multifarious than current theorisations suggest. The studies on managerial perceptions of responsibility and sustainability indicate that there may be some sort of struggle for meaning at the corporate level, but that meaning is ultimately resolved by reference to corporate imperatives. These two groups of studies have as yet not been linked systematically. The way in which managerial beliefs and ideologies are connected to SER motivations is arguably worthy of exploration. In particular, the way in which ideology and company motivations for SER presuppose

one another, if at all, may shed light on what is actually driving SER and what the corporate structural and ideological impediments to fuller accountability may be.

### **1.5 Outline of the Study**

The structure of the thesis is both revisionist and chronological. Although much academic writing follows a particular style, or template even, the way in which this thesis is structured challenges that. Academic writing generally is largely revisionist. This thesis too inevitably follows revisionist lines. One cannot transpose oneself into ones previous paradigms. It is impossible to stand completely outside of one's current frame of reference. However, the research has undergone a journey that has involved various choices and changes of course. Some of these have been arbitrary, others unconscious. The researcher feels that to efface these by writing a largely revisionist history would be to disingenuously disguise the traumas, incoherence and disorientation involved in a research project of this nature. The thesis also attempts to tell the story of this journey so as to more fully capture the complexity of academic research. Thus, the thesis attempts to do two things simultaneously: tell a revisionist story so as to elucidate the importance of the work for today's reality; and to evoke the journey that was undertaken in chronological order. In introducing the latter it is hoped that academics, and this goes for both virgin and established researchers, may be helped to recognise both the inevitability and importance of research that is not afraid to be messy, naïve and risky and that is guided by intuition and feeling.

The study is organised into thirteen chapters. The first chapter outlines the background motivations to the study, firstly by describing a concern with the current order. The role of accounting in maintaining the current order is alluded to and the potential for SER (as a form of accounting) to meaningfully extend democracy and act as a catalyst for social change is outlined. The research questions are then described in the context of previous literature on SER motivations and critiques of SER.

There are three distinct sections to the remaining chapters. Chapters 2-4 delineate what SER is and reviews the SER literature. Chapters 5-7 describe the research design and methods employed in the study and introduce the theoretical framework. Chapters

8-12 relay the findings of the study initially in a largely descriptive fashion, and then from a more explicitly theoretical perspective.

Chapter 2 outlines what SER is in more detail. In particular, the democratic ideals of SER are outlined from an accountability perspective. This accountability perspective is then contextualised by contrasting it with perspectives on SER that draw on different world-views. The radical left-wing critique of SER is elucidated here in detail as it is from this quarter that fundamental questions are asked of SER's emancipatory potential. These critiques are incorporated to form a critically informed accountability approach.

Chapters 3 and 4 combine to review the literature on SER. Chapter 3 reviews the more quantitative studies on SER. These studies have often sought to relate SER to variables such as corporate characteristics, country, industry, socio-environmental performance and economic performance. These studies have told us much about the what, where and when of SER, but arguably not so much about the how and the why (Gray, 2004). This is largely due to the restrictive nature of the methods employed. Moreover, the results from these studies themselves are inconclusive, although more interpretive studies do suggest that the quality of SER is extremely poor.

Chapter 4 introduces theoretical interpretations of SER practice that have sought to explain why organisations report. The dominant socio-political theories in the SER literature are identified as Stakeholder, Legitimacy and Political Economy theories. The main tenets of these theories are expounded and it is argued that in order to understand why organisations report an appreciation of the wider socio-economic system within which accounting operates is necessary. Furthermore, fieldwork studies into SER imply that explanations of why organisations report social and environmental information are much more complex than current theorisations suggest. As such, the study attempts to build upon the insights of previous fieldwork and utilise critical theory

Chapter 5 describes the pilot study that was undertaken. The explanation for undertaking such a study is discussed in the first section. The second section of the chapter describes the interview protocol and the way in which the interviews were conducted. The third section outlines the way in which the interviews were analysed

and what the intention of the analysis was. Section 5.4 describes the theoretical interpretation of the pilot interview data. Neo-Gramscian theory was employed to make sense of the interview data. This interpretation served to raise a number of issues deemed worthy of further exploration throughout the remainder of the study. In particular, the interviewee articulations resonated with a particular paradigm of thought that has been used to serve hegemonic ends.

Chapter 6 outlines in detail the research design of the main study which explored in depth the motivations for SER and CSR for the organisations studied. The chapter discusses how the main study was framed methodologically by describing the rationale behind qualitative interviewing. The following section describes how the interviews themselves were framed theoretically and how the interview protocol changed from the pilot study. The chapter also delineates how the data was collected, who formed the sample and how the data was analysed and conclusions drawn.

Chapters 7, 8 and 9 delineates the ‘meta-story’ that emerged from the data analysis of the main study. The interview findings are laid out in these chapters, and points are highlighted that are picked out in more detail in chapters 10, 11 and 12.

Chapter 7 relays in-depth the analysis of the motivations for SER and CSR. It describes how the interviewees articulate company motivations largely in terms of various different business drivers. The wide array of business drivers are outlined in terms of the broad motivational themes identified. These are business efficiency; financial market-related; reputation risk management; peer pressure; and internal champions.

Chapter 8 presents the various audiences for SER, as described by the interviewees. Firstly, the perceived importance of SER as a communication medium is explored. Then each audience is discussed in detail. Respectively, these are investors, employees, NGOs, the government, customers and other audiences.

Chapter 9 explores interviewee perceptions of limits to organisational obligations as regards to CSR and SER and interviewee perceptions of conflicts between commercial and socio-environmental criteria. The discussion on limits is broken down into two parts. Firstly, the limits to corporate socio-environmental initiatives generally are delineated. These limits are clustered around the parameters set by

business imperatives and the perceived limits/constraints imposed by other groups. The perceived limits to SER specifically are then relayed by outlining interviewee responses to the Ecological Footprint. Finally, interviewee perceptions of conflicts between commercial and socio-environmental criteria and how these are rationalised by the interviewees are outlined.

Chapter 10 summarises the interview findings and as such acts as a precursor to the more explicitly theoretical interpretation of the data that appears in the following chapter. In chapter 11 the links and differences between different motivations and the way in which different motivations manifest themselves across different firms are explored. The implications for SER of these motivations are discussed and a note on how the data relates to extant theorisations is made. Finally, an explanation of the more ideological articulations of the interviewees is offered.

Chapter 11 offers a more tightly bounded theoretical interpretation of the empirical results and attempts to answer critically the research question. A Neo-Gramscian Political Economy Framework is outlined and both SER and CSR are described as overlapping elements within this framework. The importance of discourse and language is outlined in particular with reference to SER. Drawing on the interviewee articulations, it is suggested that SER performs a particular ideological-discursive function.

Chapter 12 concludes the study by firstly outlining how the principle research question has been explored. It also describes some implications for the social accounting project in particular by speculating on the emancipatory potential of SER in light of the afore-mentioned theoretical interpretation of the empirical findings. The contributions and limitations of the thesis are also explored here.

### **1.6 Summary**

This chapter has described the personal motivations for undertaking the study, and described the shape that the study takes. The principle and sub-research questions were described and explained. Then the way in which these questions have been explored in the study was outlined in terms of the methodological approach followed and the theoretical framework employed. Following from this, the importance of

further exploring managerial perspectives was delineated. Finally, an outline of the thesis was offered by chapter.

## **Chapter 2 – What is Social and Environmental Reporting and Why does it Matter?**

### **2.1 Introduction**

This chapter seeks to outline a normative basis for SER. The chapter starts by describing the need for an accounting that is radically different from a financial accounting dominated by neo-classical economics. Then SER is described in detail with reference to its inferred theoretical underpinnings and emancipatory intention. This accountability ideal is then subject to critique from various perspectives in section 2.4. The power of these critiques is such that accountability is then re-framed in a more critically informed fashion. This re-framing leads to a re-consideration and problematisation of the emancipatory potential of SER.

### **2.2 The Need for a New Accounting**

It is frequently argued (and this thesis concurs) that paradigmatic shift is required of a socio-environmental nature (see, for example, Abbott, 2000; Caldwell, 1999; Dietz *et al*, 1998; Dunlap and Van Liere, 1984; Dunlap *et al*, 2000; Gale, 1992; Gray, 1992; Grendstad and Wollebaek, 1998; Johnson *et al*, 2004; Kilbourne *et al*, 2002; Stern *et al*, 1993; Stern *et al*, 1995). We must seek to transcend a system that promotes a narrow materialistic and self-interested conception of human nature (Bakan, 2004). Rather, we need to recognise, or at least assume, that humans are much more complex creatures who are capable of sympathy and solidarity as much as they are capable of greed and consumption. Moreover, for the purposes of this thesis, a new form of accounting is also required. Conventional accounting reflects the dominant interests in society (Tinker, 1982). It therefore constructs the world in financial terms and, in ignoring social and environmental externalities, encourages self-interest at the expense of social interests (Cooper and Sherer, 1984).

The ideological foundation of conventional accounting is neo-classical economics. This attaches primacy to anthropocentric selfishness, economic growth and other 'goods' such as efficiency, value for money and property rights (see Maunders and Burritt, 1991). What is needed for the sake of encouraging a new paradigm of thought, or a "conscious cultural evolution" (Birkin *et al*, 2005), is not merely an

accounting that is free from complicity in environmental destruction and social conflict, but one that actively encourages positive social change by bringing social and environmental issues to the fore. Neo-classical economics, in a totalising fashion, attempts to de-politicise any issue that can be construed in economic terms.<sup>1</sup> Mouck (1995) argues that it has succeeded in colonising modern financial reporting theory, which views corporate accountability issues as essentially economic rather than political (see also Tinker, 1984). The current hegemony of neo-classical accounting impedes “the democratic availability of information that may be crucial for the articulation of political interests by marginal social movements and political alliances” (Mouck, 1995, p.541). As such, conventional accounting represents “a threat to the healthy functioning of a pluralist democratic society” (Mouck, 1995, p.551). Within the domain of ‘accountings’, Social and Environmental Reporting is frequently offered as an alternative way of constructing accounts that has more benign material consequences<sup>2</sup>.

### **2.3 Social and Environmental Reporting**

An oft-quoted description of Social and Environmental Reporting (SER) is found in Gray *et al* (1987):

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

SER has similarly been described as an “attempt to deconstruct conventional accounting, expose some of its more unpleasant characteristics and offer new accountings predicated on values wider than making rich managers and shareholders even richer” (Bebbington *et al*, 1999). The key theoretical basis of this accounting is typically taken as accountability. Whereas conventional accounting (allegedly) serves

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<sup>1</sup> Mouck (1995) argues that economics in general, as well as its extensions into accounting, can be criticised for its “totalising tendencies; tendencies which are viewed as an attempt to preclude other perspectives and ‘silence other voices’” (p.538). Thus economics tries to dominate the whole field of discourse.

<sup>2</sup> Whether SER is an addendum to conventional accounting, replacement of conventional accounting or interlude towards something else remains unclear. Nevertheless, it does challenge the restrictions and tyrannies imposed by conventional financial accounting.

to make an organisation accountable to its financial owners, SER may discharge accountability to other stakeholders. These are people that are influenced by or can influence the social, environmental and economic impacts of an organisation (Gray *et al*, 1996). The principal argument behind accountability is that stakeholders have a *right* to information regarding the social and environmental effects of corporate economic activity. These rights to information may be enshrined in law, may appear in quasi-legal or voluntary codes of conduct, or may be moral in nature (Gray *et al*, 1996).

### 2.3.1 Complete Reporting

Gray (2000) has outlined what an ideal SER would look like: built around a stakeholder model on the social side; and incorporating an overall environmental impact assessment on the environmental side. However, both Gray (2000) and Gray and Milne (2002) note that social reports rarely contain a complete stakeholder analysis. Furthermore, they mostly cherry-pick good news and ignore the major social issues that arise from corporate activity such as lobbying, advertising, increased consumption, human rights, land injustice, etc (see also Adams, 2002). A full social report would cover these issues in detail. Instead, they focus mostly on much softer social issues such as customer or employee satisfaction, workplace diversity and health and safety.

A full environmental report would contain some calculation of the organisation's ecological footprint or a full eco-balance. An ecological footprint would measure the resource consumption and waste assimilation requirements of (say) an organisation in terms of productive land area (see Wackernagel and Rees, 1996). For example, the Dutch ecological footprint has been calculated as covering 15 times the area of the Netherlands. Each North American citizen requires 12.2 Hectares in order to sustain himself. Worryingly, if all of the world's humans consumed at the same rate as North Americans then we would need 3 planet Earth's in order to survive (Hart, 1997)<sup>3</sup>. The point is that the eco-systems that actually support typical industrial regions lie invisibly far beyond their political or geographical boundaries. Organisations have to consider the amount of productive land that it takes to sustain their operations. Part of

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<sup>3</sup> The ecological footprint of humanity collectively has increased in the last few years (see Meadows *et al*, 2004).

the ecological footprint could be an eco-balance. At its broadest this is a comprehensive calculation of the organisation's entire natural resource "inputs, outputs (products and waste), leakages and emissions of an organisation (or part of an organisation)" (Gray and Bebbington, 2001, p.181). This has been used as a basis for an environmental report as early as 1991 by the Danish Steel Works.

Full social and environmental reports such as those alluded to above, when combined with financial statements, would form the basis of Triple Bottom Line (TBL) reporting. Gray and Milne (2002) argue that an honest and complete TBL report would expose the tension between the financial and socio-environmental issues and the fact that the financial must dominate. From even the most superficial reading of corporate reports it is obvious that reports do not do this in spite of their increasingly popular (self-proclaimed) title of 'sustainability report'. Moreover, Gray and Milne (2002) highlight that TBL reports are significantly different from sustainability reports. The latter require a much broader view to be taken. Sustainability is a systems concept and cannot be viewed simply within a bounded organisational environment. A sustainability report must consider cumulative effects assessments and precautionary decision-making assessments (Gray and Milne, 2002). The majority of current reporting practice focuses only on the organisational level. This is insufficient. For example, Life Cycle Analysis (LCA) of products may show that even though an organisation is becoming more efficient and reducing its overall ecological footprint, the ecological impacts further up the supply chain, and at product disposal, actually leave the planet worse off on the whole. Sustainability reporting therefore requires that organisations look outside of their own open systems and consider their inter-relations with other entities and individuals.

This 'complete' reporting template follows fairly distinct procedures. Such a report, as far as it would reflect a multiple and subjective understanding of an organisation's social and environmental impacts (see Thomson and Bebbington, 2005), could form the basis of a dialogue between the accountor and the accountee. Such a dialogue has the potential to be emancipatory (see below), although stakeholders must be ascribed some measure of power in stakeholder engagement processes. Even where the dialogue is not *completely* open, or power differences completely equalised, moving

some way towards this goal could still be emancipatory (Unerman and Bennett, 2004).

Accountability, as the increased transparency of corporate activity, is a key element for a well functioning democracy (Gray *et al* 1996). More specifically, increased corporate accountability would be commensurate with a more social-democratic form of capitalism, where the market would be regulated in order to tame its more destructive tendencies and empower the citizenry more equitably. Such thinking draws on a long tradition of liberal thought, more recently evident in Held (1996) and McPherson (1973), but whose roots are manifest in the thinking of John Stuart Mill and Adam Smith.

### 2.3.2 Democracy and Justice

In *On Liberty*, J S Mill affirms the notion of individuality. He saw this as that which brings humans nearer to the best that they can be. It is imperative that each man “interpret experience in his own way...Human nature is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree, which requires to grow and develop itself on all sides, according to the tendency of the inward forces which make it a living thing” (Mill, 1998, pp.64-66). Mill is keen to stress that, in affirming individuality, he is not outlining a doctrine of “indifferent selfishness (1998, p.84). Rather, individuality is a force for the social good. Besides, the social virtues have a higher value than the self-regarding virtues. Nowhere is this more evident than in his pronouncements on the Liberty of Thought and Discussion (see *On Liberty*, pp.20-62).

Mill in fact saw democracy as a threat to the freedom necessary for fostering individuality. Freedom *from* restraints, allowing one to act simply as one wants, would inevitably bear witness to infringements of the interests of other persons. As a result, those individuals would be inhibited in their own ability to exert individuality. Consequently, and “contrary to received opinion, Mill does not, either in *Utilitarianism* or in *On Liberty* defend private morality against public control” (J Gray, 1998, p.xv). Mill believed that each person be required to fulfil certain obligations in return for the protection offered them by society, *vis-à-vis*: do not injure the interests of others; and, bear one’s share of the labours and sacrifices incurred for

defending the society or its members from injury and molestation. Society is justified in “enforcing at all costs” (Mill, 1998, p.83) these conditions. “As soon as any part of a persons conduct affects prejudicially the interests of others, society has jurisdiction over it” (Mill, 1998, p.83).

Similar sentiments regarding intervention were expressed by Adam Smith, whose humane and enlightened views, as Collison (2003) notes, are so often bastardised in neo-classical economics. Smith saw competition, theoretically, as the way to spare society from the exploitation that self-interest would otherwise foster. Without the regulating force of competition then we would be left in the hands of the many employers and industrialists who “generally have an interest to deceive and oppress the public” (Smith, in Collison, 2003, ref). These people “ought not to be the rulers of mankind” (Smith, in Collison, 2003, ref). In practice, however, he noticed that differences in the relative power of market participants could prevent perfect competition from playing out. For instance, in reference to wage disputes between employers (masters) and the workforce he observed:

“It is not, however, difficult to foresee which of the two parties must, on all ordinary occasions, have the advantage in the dispute, and force the other into a compliance with their terms. The masters, being fewer in number, can combine more easily...In all such disputes the masters can hold out longer...In the long run the workman may be as necessary to his master as his master is to him; but the necessity is not so immediate”(Smith, quoted in Collison, 2003, ref).

Such power asymmetries have obvious implications for competitive conditions. Indeed, it is a fact rarely acknowledged that Smith was an advocate of state intervention and regulation in the pursuit of general welfare, recognising that untrammelled self-interest was in conflict with this.

Both Adam Smith and John Stuart Mill recognised the implausibility of minimal restraint. Leaving each man free from the constraints that prevent him from satisfying his every desire would not be in the interests of society, nor would it succeed on its own terms. Mill and Smith both believed in a set of necessary restraints beyond which, as Mill would say, individuality has the opportunity to flourish or, as Smith would say, the market could direct its activity as a force for the social good. The

notions of freedom implicit in the writings of both Mill and Smith are therefore predicated on measures of justice.

### 2.3.3 Beyond Accountability

Enhanced corporate accountability would represent one such restraint, requiring companies to temper their relentless pursuit of profit and competitiveness by considering their interactions with a wider constituency of stakeholder groups. Indeed, the rendering transparent of an organisation does not set the parameters to the vision of the SER project, as Gray (2005) notes:

“The principal idea is that power and responsibility need to be matched in a fair society. This matching is ensured by the demos who, in turn, require information on which to make the appropriate judgements. The *accounts* of organisations are this information and without these accounts, democracy is hollow, the demos is powerless and, depending on the circumstances, the power of the (non) accountable organisations significantly outstrips their responsibility.”

Thus something must happen once the accountability has been discharged. The demos, or stakeholders, must be empowered by the accounts, using the information disclosed to increase their understanding of how specific corporate activities interact with, and impact on, their lives. The demos then *may*, on the basis of that increased understanding, seek to influence corporate activity in some way. Bebbington and Thomson (2005) articulate this empowerment argument using a pedagogic lens. They are concerned with the “emancipatory potential” of SER. Essentially, Bebbington and Thomson (2005) argue that SER can realise its “emancipatory potential” if it is used as an educational process where both the reporting entity and the demos can engage in dialogue. Gray (2002) too posits that the principal justification for SER “must lie in its emancipatory and radical possibilities” (p.688). More specifically, “if the domain of accounting research and practice is expanded to include the social accounts and world views of subordinate groups, accounting and Corporate Social Disclosure could serve as a site where dominant economic interests can be contested and challenged by new social movements” (Arnold and Hammond, 1994, p.124).

There is thus a radical intention in the SER project. The explicit intention is to increase democracy, but not necessarily as an end in itself. Underlying SER is a concern with the social dislocation and environmental degradation caused by

organisations in advanced capitalism. Therefore, increased accountability, although morally desirable in itself, is also seen as a means to move towards a more socially and environmentally benign order. Increased accountability would allow substantive consideration of how far we are from, and what we need to do to move towards, a state of Sustainable Development.

The Brundtland report (1987) defines Sustainable Development (SD) as: “Meeting the needs of the present generation without compromising the ability of future generations to meet their needs”. At its simplest, living sustainably implies that humanity stay within the earth’s carrying and regenerating capacities. Beyond this, more anthropocentric concerns suggest that sustainability implies also just distribution of resources to human populations (see Bebbington, 2001). An “ontology of interconnectedness” (see Birkin et al, 2005) takes a perspective beyond anthropocentric concerns and would consider the care and regeneration of natural resources, species and natural habitats as a moral good that is defensible in itself. Indeed, such a way of viewing the world would not make clear distinctions between human emotional, spiritual and nourishment concerns and the well-being and flourishing of the natural environment.

In addition to empowering stakeholders this thesis maintains that a “strong” (Bebbington, 2001) notion of sustainability, that is concerned with more than just outcomes but also with the way in which human activity blends in with and mirrors the surges and harmonies of the natural environment, be considered as a key heuristic for SER. The extent to which such a notion of sustainability is consistent with democracy may well be problematic, however (Lundqvist, 2001). It does not necessarily follow that the demos will privilege sustainability. Sustainability may require radical changes to Western mind-sets and lifestyles that the demos refuse to accept. Thus, democracy may eat itself. However, this is a pessimistic scenario. It is certainly plausible to say that increased democracy *may* lead to sustainability. Indeed, one could argue that the current (undemocratic) state of corporate accountability serves to mask inherently unsustainable practices, or even show the world that unsustainable practices are actually sustainable (Gray and Milne, 2002). Thus, the question of whether democracy is the best way to reach sustainability may not be answerable until democracy is first given a chance.

Thus, more democracy, in the form of enhanced disclosure and critique of corporate social and environmental interactions, may be necessary before any genuine consideration of sustainability is possible. In turn, this could lead to positive social change. As Gray and Tinker (2003) note, Marx had a wider conception of ‘production’ than is commonly presented. Marx’s focus on Labour was to identify a political lever most likely to dislodge the social system. With this in mind, Gray and Tinker (2003) argue that a Marxist conception of sustainability can be formulated where “ecological sustainability becomes first rank for the emancipation of labour” (p.733). This may be one possible manifestation of SER’s “emancipatory potential” (Thomson and Bebbington, 2005).

#### **2.4 Accountability: already discharged or captured by capital?**

The above description of SER is underpinned overwhelmingly by moral concerns, and one will adhere (or not adhere) to these concerns depending on how one views the current state of the world (see Gray *et al*, 1996). If one holds that poverty, illness and environmental degradation can be alleviated through increased market liberalisation, then one would be unlikely to jump to the conclusion that companies need to describe their social and environmental effects in detail. However, if one believes the reports that advanced, large scale capitalism has devastating environmental consequences, erodes culture, dislodges communities, increases alienation and oppresses swathes of people and (exterminates) species around the globe (see, for example, Bakan, 2004; Klein, 2001; Korten, 2001; Madeley, 1999; Morris, 2001; Norberg-Hodge, 2001; Stiglitz, 2001) then more detailed description of corporate social and environmental interactions *may* be called for. However, this is by no means certain. One could take issue with the current state of affairs and not view SER as a plausible vehicle for social change.

##### 2.4.1 Conservative Critiques

Critiques of SER emanate from a variety of theoretical positions. For example, Benston (1982) offers a very rare critique of SER from a right-wing position. On a practical note, Benston (1982) suggests that the measurement of ‘externalities’ is problematic and therefore cannot be relied upon. However, notwithstanding the

practical considerations put forward by Benston (1982, 1984) and the logical inconsistencies therein (Schreuder and Ramanathan, 1984), his arguments are primarily ideological. The primary responsibility of management is to shareholders and SER would impose unnecessary costs upon them. In any case, other stakeholders such as employees, customers and creditors etc., Benston (1982) argues, are well served already by voluntary management reports. Social accounting may be useful with respect to corporate governance, exposing fraudulent dealings and misuses of shareholder assets by management. However, even then the cost of an accounting standard would likely exceed the benefits to shareholders (see Benston, 1984). As such, “the responsibility of accountants would be best served by their forbearance from social accounting” (Benston, 1982).

Benston’s (1982, 1984) position coheres strongly with the position on corporate societal obligations taken by Milton Friedman. Given the paucity of neo-liberal critiques of SER in the accounting context, it may be worth looking beyond that ambit to further infer views from a neo-liberal perspective. Friedman himself was recently interviewed on the subject of Corporate Social Responsibility (CSR) for Joel Bakan’s (2004) book and accompanying documentary *The Corporation*. Friedman proclaims that “(e)xecutives who choose social and environmental goals over profits – who try to act morally – are, in fact, immoral” (in Bakan, 2004, p.34). Management’s priority should be to maximise shareholder wealth. Social and environmental strategies can only be tolerated insofar as they advance that goal. As such, insincere CSR is perfectly acceptable. Indeed, anything else may actually be illegal, given the corporation’s legal mandate to make as much money as possible for shareholders. “Hypocrisy is virtuous when it serves the bottom line” (Bakan, 2004, p.34). Thus SER, as long as it is in the form of misleading representations of (what we are to believe are) unequivocally benign corporations, representations that mask an altogether more damaging state of affairs, may have an important role in the Conservative’s agenda.

Moving away from a radical right wing position, another conception of what SER is and what it may do is offered by Parker (1986). Parker (1986) falls into what Gray *et al* (1996) refer to as the ‘expedient’ camp. Parker (1986) notes that SER means different things to different people. To “corporate defenders” (p.76), it is a means of

defence against critics of the corporation. To “corporate critics” (p.76), it provides a constraint upon socially irresponsible behaviour and a positive motivation for the corporation to act in a socially responsible manner. Parker (1986) argues that standards could moderate and regulate the competing purposes of these groups, i.e. allow corporations to manage their image whilst restricting reporting bias and thereby facilitating a more informed and protected society. Whilst those of radical left-wing persuasions would be horrified by the former, Parker (1986) sees the use of SER as an image enhancer as something that is actually good, as long as it is accompanied by the provision of substantive social accounting information. Although informed by a “suspicion of powerful private interests” (Parker, 1991, p.32), Parker’s view emanates from an acceptance of the current essential structure of capitalist society (see Parker, 1991, p.27).

#### 2.4.2 Radical Critique: Social Justice and Sustainability

As long as one accepts the need for a more socio-democratic form of system, Benston’s (1982, 1984) and Parker’s (1986, 1991) views do little to disturb the rationale for SER<sup>4</sup>. More shaking critiques of SER come from those theorists that put social justice<sup>5</sup> (for example, Puxty, 1986, 1991 and Tinker *et al*, 1991) and ecological sustainability (for example, Maunders and Burritt, 1991) at the heart of their analysis. The essence of Tinker *et al*’s (1991) position is that a better accounting can only come about after a change in structural conditions (see also Cooper and Sherer, 1984). The structure of society, and of capitalism in particular, is such that SER will be captured by vested interest groups and used to mask those vested interests. These structural inequalities, argue Tinker *et al* (1991), are overlooked by Gray *et al* by virtue of their commitment to pluralist thinking and ‘middle ground theorising’. The middle ground, is characterised by Tinker *et al* (1991) as concerned with “what is pragmatic and socially acceptable; not what is socially just, scientifically rational, or likely to rectify social ills arising from waste, exploitation, extravagance, disadvantage or coercion” (p.29).

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<sup>4</sup> An exception to this is found in Parker (1991) who joins in an “unholy alliance with Puxty” (p.30) in pointing out that unless accountability relationships are underpinned by enforceability, the poor and disorganised in society will be poorly served.

<sup>5</sup> However this is defined.

Tinker *et al* (1991) explain how the history of SER shows the middle ground shifting in specific directions, in response to definite social conflicts and struggles. This swaying in the tide minimises and mystifies the structural inequalities of contemporary capitalism (p.36). SER thus serves a political quietism function which “mask(s) the affinities of many right-wing positions and middle-of-the-road research” (Tinker *et al*, p.37). Gray *et al*'s middle-of-the-road approach is therefore rejected. The middle ground is contested and unstable and Gray *et al* refuse to examine the basic contradictions of the social system that cause this instability; Gray *et al*'s approach has not been shown to be productive, Tinker *et al* (1991) argue, and “the political quietism implicit in their viewpoint is empirically unsubstantiated” (p.47).

As an alternative, Tinker *et al* (1991) advocate a critical accounting that speaks about social antagonisms and structural inequalities. The examples given by Tinker *et al* (1991) are recasts of the accounting records provided by firms in terms of, in one case, the role that a mining company played in colonial exploitation and, in another, an analysis of General Motors' use of their annual reports as ideological weapons. If there is any role for SER from a Marxist viewpoint, then one infers that it would be through external social audits (Gray *et al*, 1996). These are SERs prepared about an organisation by people outwith that organisation. Examples of this particular type of SER are evident in the work of Social Audit Ltd<sup>6</sup> in the 1970s who, without the cooperation of the organisations whom they were auditing, constructed a series of detailed exposes of the social and environmental impacts of those organisations in the UK. In a similar vein, though with a much more Marxist slant, Counter Information Services compiled a series of *Counter Reports* of large multinational organisations in the 1970s (see Gray *et al*, 1987, for examples of these). Similar exercises have been carried out recently by Christian Aid and Friends of the Earth who have produced 'alternative' versions of SERs of organisations such as Shell and Exxon.

Tinker *et al*'s (1991) critique emanates from a particular view of society that focuses on conflict and power struggles. A similar viewpoint on SER is reached by Puxty (1986, 1991), taking a Habermasian perspective: “social accounting...can develop around its (unfounded) truth claims so as to bolster its own position, and to do this, it

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<sup>6</sup> See Medawar (1976, 1978) for a theoretical exposition of Social Audit Ltd's purpose and method.

has developed at least partly in response to the needs of the power centers in society (1986, p.103). This 'capture' of SER is inevitable given the non-pluralistic make-up of society. Society has dominant interests. SER does not dissolve these power relationships, as its proponents hope it might, but re-enforces them: "Accounting is part of a system of distorted communication that reflects the social system. Any extension of accounting through the processes of that system can thus be no more than an extension of that systematic distortion" (Puxty, 1986, p.108). Puxty repeats these views through a later article where he "reject(s) the possibility of progress of society through current pluralist institutions, and corporate social information that might be generated through them" (1991, p.41).

Cooper's (1992) eco-feminist critique of environmental accounting is, self admittedly, supplementary to Marxist writings of accounting (p.16). Cooper (1992) views language itself as phallogocentric because it attempts to fix meaning in primary, rather than multiple terms, thus reproducing the patriarchal order. Accounting works with primary definitions also: debit/credit; profit/loss etc. Accounting for the environment would therefore mean forcing nature's multiplicity into binary oppositions: "Environmental accounting, being founded on phallogocentric understandings, will be not able to bring about revolutionary change despite the high hopes and desires of some of its proponents" (Cooper, 1992, p.28). Of course, environmental accounting could be developed outwith Generally Accepted Accounting Principles, and with multiple meanings, but seemingly this would not be enough either: "Without a change to society, there is no way out of this. In the present symbolic order accountants should not attempt to account for the environment" (p.37).

Maunder and Burritt (1991) take a deep green perspective when considering how to account for the environment. They argue that any attempt to solve ecological problems through an accounting that is an extension of conventional accounting may be doomed to failure. This is because of the neo-classical ideological foundations on which conventional accounting rests: selfishness of maximising individual utility; contrived consumer demand (wants over needs); and anthropocentrism. It is argued by Maunder and Burritt (1991) that a much more radical accounting is needed that actively challenges these cultural values.

These ‘radical’ critiques variously place notions of social justice (Puxty, 1986, 1991; Tinker *et al*, 1991; Cooper, 1992) or environmental sustainability; (Maunder and Burritt, 1991) and/or Mother Earth (Cooper, 1992) at the heart of their analyses. What is common to each of them is that they each see SER, at least corporate *self*-reporting, as not a mere irrelevance, but something that could actually exacerbate ecological problems and further entrench social inequality. SER hides the deeper structural inequalities that must be critiqued and transcended. As such, corporate SER is counter-productive. In seeking to disempower corporations, it actually seeks to bolster the interests of corporations. If there is any place for SER then it must be through externally produced social audits. The problem, argues Lehman (1999, 2002), is in according a privileged status to corporations as the agents of change. Gray *et al* seek to put corporations at the centre of their theorising as the entity that prepares the social/environmental analysis of its own operations.

#### 2.4.3 Communitarian Critique

Lehman argues that modern SER models are limited in their potential for reform because of the liberal framework on which they are based. Gray *et al* have conceived of accountability from Rawlsian liberal principles that defer to instrumental criteria and an “implausibly narrow conception of the good” (1999). The instrumentalism of Gray *et al* is evident in their concentration on advocating better procedures to facilitate communication. In doing so, they overlook relationships between accounting and the community and accounting and the state. “Thus, they deal with palliatives, not causes” (2001, p.723).

In putting organisations at the centre of the SER project, Lehman (1999) argues that Gray *et al* ignore the arguments of the radical critique. Capitalism has “proven remarkable in its ability to transform and deflect critique” (Lehman, 2002, p.224). SER may be complicit in this. For example, an organisation may seek, through its SER, to “head off government intervention or improve its public standing” (Puxty, 1986, p.101).

Lehman’s (1999) contention that SER liberal frameworks are underpinned by too narrow a conception of the good requires elucidation. Underlying Lehman’s (1999,

2002) critique are particular notions of freedom and justice. Lehman's work draws upon the communitarian thought of Charles Taylor. In doing so he privileges a positive notion of freedom that recognises the power imbalances that tend to occur in capitalist society. In contrast, Lehman (1999, 2002) argues that liberal models, such as the corporate SER proposed by Gray *et al*, adhere more closely to a negative notion of freedom that fails to adequately account (sic) for corporate capture.

#### 2.4.3.1 Positive and Negative Freedom

Berlin (1969) dichotomised notions of freedom, arguing that all freedom theories were either of the negative or positive form. Reduced, this means that they, respectively, defined freedom as either *freedom from* *x* or *freedom to* *y*. Negative freedom has its roots in Hobbesian thought (Knowles, 2002). Hobbes saw liberty<sup>7</sup> as freedom from external constraints. A person is free who can get what he wants without being stopped. A negative conception of freedom can therefore be thought of as instrumental to the satisfaction of wants. Such a conception of freedom forms the basis of neo-classical economics, for example, and the neo-liberal thinking exemplified by Benston (1982, 1984).

At the core of a positive conception of freedom is the notion of a higher self. Knowles (2002) suggests that such conceptions can be considered Kantian or Rousseauian. A person is free if she takes control of her desires and orders them in line with some conception of the good. A free individual knows what the higher self wants and is not enslaved by her own base (lower-self) desires or by false consciousness. Positive freedom is concerned with understanding what one wants to want.

Importantly, when the notion of positive freedom is built up into a social theory of freedom, it is predicated on justice. The same cannot be said of a negative conception of freedom which undermines justice when built up to the social level. Privileging the satisfaction of wants would see conflicts arise between individuals or groups. For example, one individual may sadistically desire the hurt and pain of another. A board of directors may wish to pay a golden hello to a new CEO even though the employees would much prefer to see a wage increase. A project with a positive Net Present

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<sup>7</sup> Liberty is used here synonymously with freedom.

Value may have environmental consequences. The very real existence of power asymmetries means that these conflicts are often ‘resolved’ by giving pre-eminence to the desires of the more powerful. Given this logic, a democracy that is not explicitly harnessed to social welfare would counter-intuitively undermine the democratic base on which it is founded.<sup>8</sup> It is such a concern over unfettered freedom that manifests itself in the social democratic thinking of J S Mill and Adam Smith (see above).

#### 2.4.3.2 Communitarian Freedom

Now let us begin to consider what these notions of freedom imply for SER and one’s attitude towards it. Lehman (1999), as mentioned above, endorses a positive conception of freedom<sup>9</sup>. This freedom *to* can be achieved through active engagement in the public sphere by communities who reflect on the role that corporations play in their lives. In order for such reflection to be meaningful, Lehman (1999) argues that communities must have the power to “remove the corporation’s right to operate”. Communities would invoke this right if, after critical reflection, the corporation was considered to be “acting against the boundaries of the community’s considered convictions” (Lehman, 1999). The role of SER in Lehman’s (1999, 2002) framework is in informing the public sphere and perhaps in initiating its revitalisation.

Importantly, political organisations must be built from the ground-up (Lehman, 2002). Civil society creates space within itself, rather than within the state. Accountability relationships are constructed at the community, not the corporate level. Gray *et al*, it is argued, have got the correlation the wrong way round:

“Thus, modern...accountability models premised on classical liberal assumptions do not provide a critical distance from the corporations they are investigating. These models are therefore susceptible to corporate colonisation” (Lehman, 1999, p.229).

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<sup>8</sup> Van Dierxxcens (2000) describes in detail how the exponential growth mantra that runs through neo-classical economics is counter-intuitive in that it will, eventually, cause capitalism to implode. Thus, notwithstanding the social and environmental consequences of neo-liberalism, it is inherently unsustainable in its own terms.

<sup>9</sup> Lehman (1999) invokes the Heideggerian concept of authenticity. One is authentic so far as one attends to, rather than neglects, the passions particular to oneself. This does not mean reacting to every stimulus or desire that one experiences, but to consider them critically. This critical reflection is spurred by a wordless call from the higher to the lower self. In essence, this is how beings attribute meaning to their lives. This clearly resonates with Mill’s thinking on individuality and the imperative for each man to “interpret experience in his own way” (1998, p.64).

Communities must be empowered to get involved in corporate decision making and create self-rule (link to Mouck, 2005). Like Gray *et al*, Lehman too is advocating some sort of participative democracy. This is done by privileging positive freedom.

#### 2.4.3.3 Rawlsian Freedom

If liberal SER frameworks *are* underpinned by a negative conception of freedom then they will surely fail in achieving what they purport to do, that is, to accord a more privileged status to those affected by what a business does (see, for example, Gray *et al*, 1996). Let us now consider the extent to which this may be true.

Lehman (1999) notices the Rawlsian influence in Gray *et al*. Rawls (1971) himself tries to avoid getting caught up in the negative-positive freedom debate. He concurs with McCallum (1968) who argues that freedom is never 2-variant (e.g. A is free from x; or A is free to do y) but always 3-variant (e.g. A is free from x to do y). If we reduce Rawls's (1971) theory drastically we can see that this is the case. The theory basically says that each person's basic liberties<sup>10</sup> must be free *from* coercion so that she is free *to* pursue her own thick conception of the good<sup>11</sup>. Each person's thick conception of the good is constrained in that it must not infringe upon the basic liberties of others. Thus we can see social contract theory employed<sup>12</sup> and the removal of "other-dependence" (Rousseau, in Knowles, 2002) which creates a space for critical reflection.

The end-result of Rawls's (1971) *Theory of Justice* is that each person is free *to* pursue her own conception of the good. Is this not more akin to a positive than a negative conception of freedom? In fact, at the heart of *A Theory of Justice* (Rawls, 1971) is, as the title suggests, justice, not freedom, although I have argued that the two exist interdependently. Without collective notions of restraint and responsibility, which implies a degree of equality in social relations, it is implausible to pursue

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<sup>10</sup> Rawls (1971) defines the basic liberties as: freedom of thought and conscience; freedom of association; freedom of personal integrity; political freedom; and also freedom of movement and choice against a background of diverse opportunities. These liberties, argues Rawls (1971) are the necessary foundations for an individual pursuing her own conception of the good. As such, inequalities of these liberties are not permissible.

<sup>11</sup> Each individual's own particular conception of the good.

<sup>12</sup> Rawls's (1971) own contractual approach is termed the "delineated hypothetical social contract".

individual conceptions of the good. Thus, freedom is predicated on justice. Nevertheless, Lehman (1999) thinks that Rawls does not consider the collective dimension of our relationships. What is needed is a positive notion of freedom that takes account of collective public deliberation. Arguably Gray *et al* do consider this. They talk of an “implicit social contract” (see, for example, Gray *et al*, 1996 and Gray *et al*, 1991) between members (individuals and groups) of society. That social contract may be satisfied when organisations report social and environmental information to their stakeholders. There is nothing in the writing of Gray *et al* that suggests those stakeholders could not interpret that information collectively.

#### 2.4.3.4 Positive Freedom and Accounting

It seems fair to say that Lehman (1999) and Gray *et al* want something very similar. They both seek ways in which to stimulate a more participative democracy where those affected by corporate activities have greater power in influencing corporate activity. Both are liberal and democratic. They only differ in their proposals for how this should come about. Lehman calls for a more critical accounting framework where communities are placed at the centre. Gray *et al* have a concern for the welfare of these communities (or wider stakeholders) at the heart of their rationale, but for reasons of pragmatism place the corporation at the centre as the agent of change:

“More can be achieved, in the short term at least, by working with those who hold the power – business, economics and politics – and within their terms of reference to try to get them to achieve change. At the moment, ‘the only game in town’ is set by business, the professions and politics. One can choose to play or not to play. We choose to play” (Gray *et al*, 1996, p.24).

One could perhaps envisage a communitarian framework for SER embraced by Gray *et al* if only it proved practicable.

It is this commitment to pragmatism that dogs the project. The critical school, Lehman and Gray *et al* all share a broad commitment to wider conceptions of social justice and/or environmental responsibility than the current system purportedly delivers. They differ in terms of what constitutes progress toward these broad aims. The radical and communitarian critiques raise fundamental questions over the ability of SER to realise its emancipatory potential. These concerns must be taken on board

and used to sensitise accountability to its own pitfalls and theoretical shortcomings, thus resulting in a ‘critical accountability’ framework for SER.

## **2.5 Critically Informed Accountability**

“There are people who argue, and I have never understood the logic of this, that a radical ought to dissociate himself from oppressive institutions. The logic of that argument is that Karl Marx shouldn’t have studied in the British Museum which, if anything, was the symbol of the most vicious imperialism in the world, the place where all the treasures an empire had gathered from the rape of the colonies, were brought together. But I think Karl Marx was quite right in studying in the British Museum. He was right in using the resources and in fact the liberal values of the civilization he was trying to overcome, against it” (Chomsky, 1997, p.144)

As outlined above, the rationale for SER is the desire to reach an enhanced corporate accountability. This itself would be indicative of more socially-democratic minded commercial organisations. Substantive SER would also allow for the critique of current economic and societal structures, thereby showing that the current world that we live in is not the only possible world (see Birkin *et al*, 2005). Thus, whilst enhanced accountability represents an extension of democracy (Gray *et al*, 1996), a more social-democratic order may not be merely an end in itself, but also a necessary starting point for more substantive consideration of our being-in-the-world.

### **2.5.1 Critical Synergy**

However, the critical school has done well to outline, in theoretical terms, how this accountability ideal remains elusive, and any emancipatory potential unrealised. Indeed, the majority of empirical work in SER shows how ‘enhanced’ corporate accountability (in the sense that there is more information) is driven more by legitimacy concerns rather than a desire to discharge accountability (see Chapter 4 for a discussion of this). Moreover, critiques of SER have shown that SER models may be “caught within the essence of capitalism from which they cannot escape” (Lehman, 2001).

The critical school<sup>13</sup> critique SER on the basis that it cannot lead to emancipatory change (Puxty, 1986, 1991; Tinker *et al*, 1991; Maunders and Burritt, 1991; Cooper, 1992). However, as persuasive as these radical critiques may be, they “offer, in the main, no suggestions of how to overcome the problems they identify” (Bebbington, 1997, p.371). Lehman’s (1999, 2002) work represents one of the very few critical arguments that prescribe an alternative (although see also Cooper, 2002 and Cooper *et al*, 2005)<sup>14</sup>. Nevertheless, by and large, critical accounting scholars fail to articulate what to do whilst “Rome burns, and Rome is definitely burning” (Gray, 2002, p.701). Accusations of conservatism may therefore be turned on their head, as Gallhofer and Haslam (1997a) point out:

“Indeed, the lack of concern to capture the state’s influential directing and co-ordinating mechanisms risks a surrender, in a way alien to Hegelian and Marxist insights, to a ‘do nothing’ conservatism and to problematic social forces” (p.75).

Thus, some critical studies “have risked being more consistent with a bourgeois conservatism than with a radical social democratic imaginary approach” (Gallhofer and Haslam, 1997a, p.75). Similarly, Gallhofer and Haslam write elsewhere that those who dismiss ‘green’ accounting entirely correspond “to many conservative positions in making less demands of the status quo than of alternatives to it, a position that is effectively supportive of the status quo” (1997b, p.151). This is not to question the merit of radical critiques, only to point “to the danger that the emphasis of these contributions, as well as particular dimensions thereof, can easily fall short of resisting conservative, traditionally anti-regulatory or even “new right” positions on state interventionism that have a prevailing influence on the status quo” (Gallhofer and Haslam, 1997b, p.154).

Doing nothing in order to maintain theoretical purity may actually undermine the potential for Deep Green or Marxist ideals to be realised. The Gray *et al* project have accepted that the radical critiques have explanatory power (see Gray *et al*, 1995 and

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<sup>13</sup> Bebbington (1997) defines the critical school as a group of accounting scholars who are concerned to either eliminate conventional accounting’s role in organisations and society on the basis that it is inappropriately powerful or to radically reformulate accounting practice so that it satisfies more emancipatory objectives. As I have argued above, these are also the concerns of the Gray-Owen project. I would therefore distinguish the critical school from the Gray-Owen project on the basis of the latter’s propensity to engage with corporate centred SER.

<sup>14</sup> The social account of student hardship during the debate over university tuition fees referred to in both Cooper (2002) and Cooper *et al* (2005) may be considered an external social audit.

Bebbington, 1997). The accusations of a commitment to pluralism (see Tinker *et al*, 1991 primarily, but also Puxty, 1986 and 1991) have served to make the SER project more critically aware of the difficulties involved with political compromise. As such, the SER project now adopts a neo-pluralist vision of the world which pays more attention to power inequalities (see Gray *et al*, 1996). Nevertheless, one implication from much of the critical school's work is that a researcher must choose either critical accounting *or* SER, that the two are mutually exclusive. This needn't be so.

Theoretical compartmentalisation restricts the number and quality of insights that can be obtained from practice and which may be useful for the development of an emancipatory accounting. Critical accountants and social and environmental accountants may be considered as "fellow travellers" (Gray, 2002, p.694).

Researchers should not be afraid of synthesising different positions (Gallhofer and Haslam, 1997a). Indeed, Bebbington (1997) suggests that synergy can be created if the critical school's arguments are developed in conjunction with environmental accounting (see also Gray and Tinker, 2003). The critical school can sensitise engaging researchers to the extent to which SER is captured by management and used to serve legitimisation purposes. Bebbington (1997) argues that exploring this synergy could well strengthen the enabling potential of both schools.

As Bebbington (1997) notes, the critical school have pointed out that SER should form the basis of a critique, not merely of organisational activity, but of capitalism itself. Lehman (2001) maintains that SER must "critically engage the procedural and structural limitations of capitalism" (p.728). Similarly, Gallhofer and Haslam (1997b) argue that SER "should be concerned to make visible exploitation and repression...and seek to counter social problems" (p.164). Tinker *et al* (1991) demand an accounting that examines the basic contradictions of capitalism. Cooper *et al* (2005) also argue that SER be situated within the wider socio-political context within which it operates: "Social accounts that do not make connections with the rest of the social totality will be flawed in terms of their usefulness in making socially effective and efficient decisions" (p.7). These critical concerns can all be adopted by a normative accountability framework. However, the extent to which SER can actually make such connections with the social totality is problematic.

## **2.6 Summary**

This chapter has outlined the normative basis for SER. Starting with the inadequacy of conventional accounting, SER was then presented as an alternative accounting with emancipatory intention. Critiques of SER were then explored which question the feasibility of that radical intention. A more critically informed accountability was then described, and the emancipatory potential of such an accountability problematised. In the following two chapters, what we know about SER will be outlined. The chapters will particularly look at how SER falls short of the accountability ideal prescribed by Gray *et al* and how there is still much to know about why this is so.

## **Chapter 3**

### **Social and Environmental Reporting Practice**

#### **3.1 Introduction**

The previous chapter described SER from an accountability perspective and juxtaposed this with other descriptions from other theoretical perspectives as a means of problematising the emancipatory potential of SER. This chapter begins to delineate what we know about the physical manifestation of the phenomena under study: SER. As such, the chapter considers where and in what circumstances SER arises. In particular, the chapter reviews some of the more quantitative literature on SER which has analysed relationships between SER and other factors. This quantitative literature has succeeded in establishing a broad appreciation of where and when SER arises. As such, this quantitative literature is fundamental to any understanding of SER.

Gray (2005) notes that the more robust findings as regards to SER concern its relationship with company size, the country in which the reporting entity is based and industry sector. More elusive have been the relationships between SER and economic and/or socio-environmental performance. Nevertheless, the fact that questions exist at all regarding whether disclosure reflects performance is indicative of the dubiety surrounding the quality of SER. This chapter will also delineate what we know about the form that SER takes. More specifically, meaning the quality of SER as regards to whether or not it may be thought of as successfully discharging the accountability outlined in the previous chapter. The studies presented indicate that SER falls significantly short of the emancipatory ideal set for it. Why this is so, and whether SER can fulfil its emancipatory possibilities are key concerns of this thesis.

This and the following chapter are structured largely around Gray's (2005) recent review of the field, where a distinction is made between analyses, investigations and theories of SER. Analyses refers here to the largely (but not exclusively) positivist literature that deductively seeks to compare disclosure variables and other variables as a means of drawing inferences about SER. Investigations refers to qualitative studies that seek to explore the SER phenomenon more inductively. The distinction between analyses and investigations is therefore a methodical one<sup>1</sup>. The analyses of SER will be reviewed here first of all. These analyses tell us much about the "what?", 'where?' and 'when?' of [SER] but...such research begs – and, indeed, is largely dependent upon – explanations

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<sup>1</sup> This dichotomy of the literature is, of course, artificial. Moreover, it is not always easy to place certain studies into either camp. Nevertheless, the dichotomy is one that works for a good amount of SER research and, more importantly, allows consideration of how certain studies have contributed to the theorisation of SER.

of the ‘why?’ and the ‘how?’ of [SER]” (Gray, 2005, p.20). Conversely, we cannot begin to understand the ‘why’ and the ‘how’ questions until we have some grasp of the ‘what’, ‘where’ and ‘when’. Thus, both investigations and analyses of SER are dependent upon each other.

Understanding how and why organisations undertake SER voluntarily is, ultimately, a question of theorising these issues. The theories of SER have been developed as a result of both analyses and investigations. The theories of SER (along with investigations into SER) will be outlined in chapter 4, where it will be argued that a more critical theorisation than the bourgeois perspective typically employed in the literature is necessary for making sense of SER. Furthermore, it is argued that an enhanced critical theorisation of SER may be fruitfully pursued through more qualitative research. This is not to deny the importance of quantitative studies in establishing a theoretical basis for SER thus far, nor to preclude quantitative studies from contributing to the theorisation of SER in the future, on the contrary. Rather, it is merely to say that the SER literature, as the balance currently stands, would benefit from more qualitative research.

The structure of this chapter is as follows. Firstly, the analyses of SER in relation to country and corporate characteristics will be outlined. These show that SER is generally undertaken by larger companies in higher profile industries and that it seems to vary across countries. Then the evidence relating disclosure to socio-environmental and economic performance will be presented, as well as a discussion on the potential relationship between socio-environmental and economic performance. The disclosure/socio-environmental performance studies raise questions about the extent to which SER can be relied upon to make an assessment of an organisation’s socio-environmental performance. However, a number of shortcomings with this disclosure-performance literature are outlined that suggest the results be treated with care. In section 3.4 the studies that have sought to explain the form that SER takes will be presented. These studies highlight the deficiencies in SER practice. From these studies it is inferred that the quality of SER is significantly lower than that demanded from a critical accountability position (see section 2.5 in the previous chapter).

### **3.2 Analyses of SER**

Before reviewing the evidence relating to SER, it must first be recognised what is meant by SER. The vast majority of literature in the area refers to SER through the annual report. There have been very few studies to look exclusively at stand alone reporting. This is largely a time-scale issue. Stand alone reporting is a phenomenon that has emerged largely in recent years. However, there has been no discussion of whether stand alone reporting is a simple extension of annual report SER, or

something different entirely. For the purposes of this thesis, the two are presumed to be the same in nature. Therefore, the previous SER literature which focuses on the annual report is viewed as being the appropriate start point for an empirical study into stand alone SER. As a caveat, however, Miles *et al* (2002) note how companies perceive there to be different audiences for each. SER through the annual report is an overwhelmingly investor focused document, although is not entirely irrelevant for other stakeholders. In contrast, stand alone reports are perceived by corporate managers as being read by a wide variety of stakeholder groups (up to ten separate groups according to Miles *et al*, 2002). Miles *et al* (2002) note that investors are still the pre-eminent audience for stand alone reporting, although the difference is less marked as it is with annual report SER. Furthermore, it is predominately ethical, rather than conventional, investors that appear to be interested in stand alone reporting. There may therefore be differences of substance as well as quantity between annual report and stand alone SER. This possibility is acknowledged as a caveat in both the current literature and this thesis.

The 2004 UNEP/SustainAbility survey of corporate SER indicates that several thousand companies, including many of the world's largest, now report social and environmental information.

UNEP/SustainAbility (2004) report that in the ten years since they first launched their annual SER survey “the number of reporting companies has exploded, the overall quality of reporting has improved considerably and the range of issues addressed has broadened spectacularly” (p.8). However, that survey also indicates that over 50,000 multi-national corporations fail to report. These differences, as well as assessing soberly the quality of what is actually being reported, are clearly of interest from an accountability perspective. Indeed, under what circumstances companies do or do not report *per se*, and do or do not report certain information in particular, has been the subject of much empirical research in the SER area. This research has typically been conducted in a quantitative fashion, employing hypothetico-deductive techniques. The analyses of SER referred to below invariably use some form of content analysis<sup>2</sup>, or select a particular element of disclosure in order to measure the disclosure variable. Once defined and quantified, the SER variable is then regressed or correlated against some other measure such as country, company size, profitability, industry or some measure of economic or socio-environmental performance.

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<sup>2</sup> Content analysis may be defined as “a research methodology that utilises a set of procedures to make valid inferences from text” (Weber, 1985, p.9 and see also Holsti, 1969 and Krippendorff, 1980). In SER, content analysis is generally employed in order to distinguish between different types of social and environmental disclosure, for example, health and safety vis-à-vis environment vis-à-vis community.

### 3.2.1 Corporate Characteristics

There have been various studies examining the relationship between SER disclosure and corporate characteristics. For example, the existence of an environmental policy has been shown to be related to SER (Cowen *et al*, 1987; Tilt, 1997). We now know that corporate size appears to have a fairly predictable influence on disclosure levels, with larger companies generally reporting more information (see, for example, Adams *et al*, 1998; Alnayjar, 2000; Choi, 1999; Gray *et al*, 2001). For example, Patten's (1992) study of the oil industry's response to the Alaskan oil spill noted how disclosure responses were exacerbated by corporate size variables. Hackston and Milne (1996) found that corporate size was related to the amount of information disclosed by the 50 largest companies in New Zealand. Cowen *et al* (1987) examined the relationship between corporate characteristics and discovered that size was related to *specific* types of disclosure, finding that corporate size was related to environment, energy and community involvement disclosures but not to human resources or product related disclosures.

The industry within which an organisation operates also seems to be related to SER (although see Alnayjar, 2000 for evidence of no relationship). Roberts's (1992) study was focused specifically on the relationship between disclosure and social and economic performance. However, he found that in measuring those relationships corporate age and industry variables had to be controlled for. Clarke and Gibson-Sweet (1999) found that those companies with a higher profile pay greater attention to community relations disclosures. Clarke and Gibson-Sweet's (1999) data tentatively supports this for the Annual Report. However, no significant correlation was found between public exposure and the production of a stand-alone report. Cowen *et al* (1987) also note that industry was related only to energy and community involvement disclosures. Hackston and Milne (1996) found industry to be significantly associated with amount of disclosure, noting in particular that the size-disclosure relationship was stronger for companies in higher profile industries. Adams *et al* (1998) note a greater industry effect for larger companies. Choi (1999) and Walden and Schwartz (1997) both observed that companies in high profile industries generally disclose more information. Gray *et al* (2001) similarly observe an underlying relationship between industry (as well as company size and profitability) and disclosure, although they emphasise that the exact relationship differs in degree depending on the variables selected and the time period studied.

### 3.2.2 Country

Buhr and Freedman (2001) observe reporting differences between Canada and the US (see also Specht and Buhr, 1994). Holland and Boon Foo (2003) showed that there were differences between

UK and US Annual Report environmental disclosures. Those of the UK reflected more the organisation's environmental management system, while the US disclosures reflected more the mandatory reporting requirements there. Deegan (1997) has noted that Australia lags behind other developed nations in the sophistication of SER. Adams (2002) suggests that in Germany corporations discuss what form the stand alone SER should take whilst in the UK discussions may centre around whether there should be a stand alone report at all. Williams (1999) found significant differences in the SER practices of Asia-Pacific countries that were explained by country/culture variables. In particular, the 1995 Annual Report disclosures of companies in Thailand, Singapore and the Philippines were more extensive than those in Australia, Hong Kong, Malaysia and Indonesia. Williams and Ho Wern Pei (1999) found that companies from Singapore and Australia disclose more Annual Report and website socio-environmental information than companies in Hong Kong and Malaysia. Adams *et al* (1998) undertook a comparative analysis of the 1992 Annual Report disclosures of the twenty-five largest companies in six European countries: France, Germany, Holland, Sweden, Switzerland and the UK. They found that, once size and industry were controlled for, the UK and Germany disclosed more. Gamble *et al* (1996) found that the UK, Canada and the US disclosed more information than other industrialised countries.

In contrast to the work on industrialised countries, there has been relatively little work on the reporting practices of non-industrialised nations (Rahaman, 1999). The work that has been carried out suggests that reporting in non-industrialised countries is of a much lower level in terms of quality and quantity of social and environmental information reported (see, for example, Imam, 2000; Belal, 2000; Choi, 1999; Elad, 2001; Kuasirkin and Sherer, 2004 and Rahaman *et al*, 2004). SER seems largely to be a phenomenon of the 'developed' world.

In spite of these country differences, Azzone *et al* (1996) point towards certain reporting trends at the beginning of the 1990s that are not country specific, but relevant to all multinational corporations who are established reporters. We may therefore be able to talk about *both* a tentative international SER, especially so now given the existence of international reporting guidelines such as the GRI, *and* country specific reporting regimes. Levy and Newell (2000) suggest that corporate responses generally to the environment across continents converge in the long term. With the wider diffusion of global reporting guidelines, combined with the increasing globalisation of financial markets, we may see, and perhaps already are seeing, increasing homogeneity in reporting.

### 3.2.3 Disclosure and Social and Environmental Performance

A number of commentators (for example Rockness, 1985 and Wiseman, 1982) have suggested that SER is inversely related to socio-environmental performance, meaning that those who disclose the more information and are more ostensibly ‘accountable’ actually have the worst socio-environmental performance. For example, Patten (1992) observes a significant increase in Annual Report environmental disclosures of Oil firms other than Exxon after the Alaskan oil spill. Deegan and Rankin (1996) explored whether companies only disclose that information which is self-laudatory. They found that firms with environmental prosecutions (a proxy for performance) provided more information than firms without environmental prosecutions. Moreover, that information was more positively skewed. Deegan and Rankin (1996) therefore conclude that environmental disclosures do not provide an accurate portrayal of performance. In fact it is suggested that there may be a negative correlation between disclosure level and performance, implying that the reports in question are deliberately misleading. In contrast, some studies have found positive relationships between performance and disclosure. For example, Al-Tuwayri *et al* (2004) found that good environmental performance is positively linked to more extensive environmental disclosure. They also found a positive relationship between past environmental disclosure and current environmental performance. This, suggest Al-Tuwayri *et al* (2004), implies that prior disclosure establishes a lower bound for performance.

Patten (2002) used the Toxic Releases Inventory (TRI) in the US as a proxy for environmental performance, and found a negative relationship between performance and disclosure for disclosures made in 1990. Freedman and Patten (2004) go further to say that additional disclosures are made by worse performers (see also Hughes *et al*, 2000, 2001) in order to smooth market reactions. Some studies have focused on *perceptions* of performance, and generally found that disclosures increase during times of heightened controversy and conflict (see, for example, Hogner, 1982 and Maltby, 2004). Patten and Trompeter (2003) note that for their sample the greater level of environmental disclosure the lower the extent of manipulation of discretionary accruals (an earnings management technique employed during heightened times of political scrutiny). Patten and Trompeter (2003) suggest that this indicates that companies use environmental disclosures to signal their attention to issues, thereby reducing the need to employ earnings management techniques. Deegan *et al* (2002) found that, generally, those issues that attracted the largest amount of media attention were also the issues that provided the greatest amount of Annual Report disclosures. Furthermore, Deegan *et al* (2002) point out that their study also supports O’Donovan’s (1999) conclusions that disclosure is

positively related to newspaper coverage. In contrast, Kuasirkun and Sherer (2004) observe a decrease in disclosures during periods of heightened media attention on socio-environmental conditions (see also Guthrie and Parker, 1989).

The studies above, although varied in terms of what aspects of performance and disclosure they focus on, generally cast doubt on the extent to which SER disclosures should be taken as accurate portrayals of corporate social and environmental performance. Indeed, even where disclosure is mandated, it is not always complied with and, where it is mandated, it is often presented in a dubious manner. Freedman and Stagliano (1995) note around half of the firms in their sample did not disclose ‘material potential liabilities’ in their SEC 10-Ks in accordance with FASB 5. In a similar study, Freedman and Stagliano (2002) conclude that disclosure regulation and increased scrutiny of the company’s disclosures is not enough to ensure compliance. There must be enforcement. In Day and Woodward’s (2004) study, non-compliance with UK employee information disclosure requirements was 33%. Taking account of the number of actual disclosures that the researchers deemed to be merely symbolic rather than substantive, the level of non-compliance increases to 44%. Day and Woodward (2004) consequently argue that regulation on its own is not enough: “even where the legislation is in place the lack of monitoring of compliance suggests that the government acted symbolically by enacting the requirements rather than with the substantive intent of making organisations accountable” (p.56).<sup>3</sup> Even enforcement of compliance may be inadequate to ensure reporting quality. Deegan (2004) points towards how organisations could work round mandatory reporting requirements: “what has to be appreciated is that what ever regulation is put in place, organisations will always have the ability to make additional legitimising disclosures – regulation can provide a minimum level of disclosure, not a maximum level of disclosure” (p.96).

#### 3.2.4 Disclosure-Economic Performance

Gray (2005) notes that one possible explanation of any positive relationship between disclosure and economic performance is that organisations only undertake SER disclosure when they are financially successful (see also Ullmann, 1985 and Roberts, 1992). Another explanation put forward by Gray (2005) for any positive relationship between disclosure and economic performance may be to send to investors signals of management quality, risk management, reputation management etc.

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<sup>3</sup>Interestingly, Day and Woodward (2004) note that academic writing on this subject fell away after the regulations came into force. Researchers should therefore recognise that regulation is not always substantively introduced. The requirement to report is, at least in the case of employee reporting, not enough.

Gray (2005) suggests that the “quality of reporting is unimportant but its existence is a signal to the financial markets and other significant (i.e. powerful and economic) stakeholders that management are aware of, and in control of the social and environmental risks associated with the organisation” (p.20). Certainly Freedman and Patten’s (2004) study shows that organisations were using their SER in a way that manages stock market reactions in their favour.<sup>4</sup> Intuitively, both of these explanations make sense and, taken together, they raise a chicken and egg type of question. That is, do only profitable firms report, or do firms report in order to become more attractive investment prospects? It may be that the two explanations co-exist and are somewhat dependent on each other. Alternatively, both processes may be taking place simultaneously and be somewhat unconnected.

However, although these are both plausible explanations in the case of a positive relationship, it is not entirely clear whether the relationship between disclosure and economic performance actually is positive, negative, non-existent or something more complex. Hackston and Milne (1996) found no association between disclosure levels and firm profitability in their analysis of New Zealand companies (see also Cowen *et al*, 1987). Murray *et al* (forthcoming) similarly found no significant relationship between disclosure levels and annual returns to shareholders of the largest 100 UK companies. However, Murray *et al* (forthcoming) also observe that once the disclosure variable was further analysed, significant correlations do exist between types of disclosure (environmental, for example) and annual returns. In contrast, Richardson and Welker (2001) found that levels of social disclosure are positively related to a firm’s cost of capital, thereby implying that the relationship between disclosure and economic performance is negative. However, Richardson and Welker (2001) argue that this may not mean that social disclosure has an overall negative effect on the firm as social and environmental issues have significant distributional effects.

### 3.2.5 Social and Environmental Performance and Economic Performance

Much business rhetoric praises the logic of win-win situations, where organisations benefit financially or strategically through being more socially or ecologically responsible. Examples of such situations include improved eco-efficiency or lost downtime due to more rigorous Health and Safety performance. Walley and Whitehead (1994) question the substance behind win-win rhetoric. Although there are situations where environmental and economic concerns are congruent, Walley

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<sup>4</sup> Another possibility is that quality of reporting *is* important and that investors generally reward SER that actively obscures socio-environmental performance by ignoring fundamental issues pertaining to an organisation’s core business activities. This is dependent on what one means by quality, which will be dealt with in detail below.

and Whitehead (1994) contend that most environmental initiatives actually cost money and have little or no payback. Win-win rhetoric is dangerous and misleading, obscuring the fundamental conflicts that exist between environmental stewardship and many aspects of commercial and industrial activity. We should recognise this if we want to make both sustainable environmental improvement and sustainable competitive advantage:

“By focusing on the laudable but illusory goal of win-win solutions, corporations and policy makers are setting themselves for a fall with shareholders and the public at large. Both constituencies will become cynical, disappointed and uncooperative when the true costs of being green come to light” (Walley and Whitehead, 1994, p.47).

Cowe and Hopkins (2003) analyse evidence that relates CSR performance with financial/company performance and note that empirical evidence in the area remains inconclusive. Nevertheless, they themselves outline a number of reasons as to why it may be in business’s interests to undertake CSR activity. Echoing Walley and Whitehead’s (1994) notion that win-win solutions only go so far, Cowe and Hopkins (2003) recognise that there are many instances where the business case is weak, or non-existent. When that is the case “companies cannot engage in CSR activity which might seriously hit shareholder returns, even in the short term” (Cowe and Hopkins, 2003, p.23). Thus the virtuous relationship between financial and social/environmental performance is only true up to a point, or in certain cases (see Holme and Niskanen, 2001 and Lorraine *et al*, 2004, for examples of market reactions to environmental performance).

### **3.3 Discussion of SER Analyses**

The analyses referred to above have told us a significant amount about the “”what?”, “where?” and “when?” of SER” (Gray, 2005, p.20). Firstly, and perhaps most importantly, we can infer that SER is generally more likely to be found among larger companies who have a relatively salient public profile and who are based in an industrialised country. Why these organisations are more likely to report than others is of interest in terms of understanding the extent to which SER is employed to discharge accountability or serve some other purpose. These issues will be discussed in more detail in the following chapter when the theories of SER are introduced. The findings on corporate characteristics are fundamental to an understanding of SER and, indeed, have served to inform subsequent studies. For example, many analyses now control for size and industry factors when searching for other relationships with the disclosure variable.

Additionally, the studies on socio-environmental performance and disclosure raise serious questions as regards to the extent to which these two have a positive or negative relationship, or indeed have any relationship at all. These studies do not provide conclusive evidence in this regard, although they provide much evidence to suggest that socio-environmental disclosures, and the absence of environmental disclosures, are related to attempts to manipulate perceptions and create a favourable image of the reporting (or non-reporting) entity. Indeed, the fact that questions asked at all about whether disclosure reflects performance is indicative of the dubiety and cynicism surrounding the quality of SER and what the intentions are of those who do report. As Gray (2005) notes, this level of dubiety would hardly be tolerated in the field of financial reporting. Neither would the level of non-compliance with mandatory requirements.

It should be noted, however, that the analyses delineated above have not been without criticism. In particular, the methods that the analyses employ have been critiqued and, in turn, aspersions cast on the inferences that are drawn. Gray (2005) suggests that the findings relating to corporate size, industry and country are generally quite robust. This, suggests Gray (2005), can be contrasted with the inferences drawn from studies of relationships between disclosure and socio-environmental performance; disclosure and financial performance; and socio-environmental and financial performance. A number of problems with some of these studies have been pointed out.

For example, Patten (2002) found a negative relationship between environmental disclosure and environmental performance. He suggests that where previous studies have shown a lack of significance for this relationship, they have generally not controlled for size and industry factors that the literature has shown to have a relationship with disclosure. Al-Tuwayri *et al* (2004) argue that considering only pair-wise associations such as environmental performance and economic performance or disclosure and economic performance will inevitably lead to mixed results. Rather, Al-Tuwayri *et al* (2004) suggest that all three of socio-environmental performance, socio-environmental disclosure and economic performance be analysed endogenously (see also Richardson *et al*, 1999).

Neu *et al* (1998) argue that disclosures should only ever be viewed as partial representations of performance. Corporate disclosures will reflect performance to some extent, but they will be highly skewed by the corporate need to legitimate itself in the eyes of its more powerful stakeholders. Indeed, many studies have often used proxies for perceptions of social and environmental performance or on specific incidents that may have influenced such perceptions. It is thus not

performance directly that is being tested for. In some cases proxies for performance are used. Gray (2005) questions whether many of the proxies successfully capture important dimensions of social responsibility or ecological stewardship. To give one example, Al-Tuwayri *et al* (2004) use percentage of hazardous waste recycled as a proxy for environmental performance. Whether this proxy says something about an organisation's overall environmental performance, or indeed whether an organisation should be producing any sort of hazardous waste at all, are moot points. Gray (2005) advises that inferences from this largely positivist literature be drawn with care. Deegan (2004) similarly concludes that many analyses of SER employ methods that are not encompassing enough to justify their conclusions.

For example, successfully capturing the disclosure variable can be problematic given the many different channels of communication that companies have. This raises the question of what counts as SER. Unerman (2000) suggests that focusing only on Annual Report disclosure "is likely to result in an incomplete picture of reporting practices" (p.667). The majority of the studies referred to above focus only on the Annual Report in order to capture the SER variable. In many cases this is because the studies were conducted when the Annual Report would have been considered the more salient communication channel for social and environmental information. However, Deegan (2004) argues that recent changes in SER, namely "the (re)birth of social disclosures, the evolution of Triple Bottom Line Reporting and sustainability reporting" (Deegan, 2004, p.91) ask questions of data sets that are drawn from periods before these changes. In short, would the same results occur today? Furthermore, whether Annual and/or stand-alone reports should be the sole foci of analysis has been questioned by Buhr (1998) who looked at a variety of media in order to try and capture a wider picture of corporate accountability.

In addition to what media is focused on, the way in which disclosure is measured varies. Unerman (2000) suggests that measuring in number of sentences devoted to a particular issue is more accurate than page proportion, but that the latter gives more relevant results as it can capture both narrative and pictorial disclosures. Other ways of measuring disclosure include number of documents; number of words; number of pages; and percentage of total disclosure. Milne and Adler (1999) note that the discussion over what the unit of analysis should be confuses the issues of how to code and how to measure. It is argued by Milne and Adler (1999) that deciding what counts as SER is the contentious area, whereas the differences in different quantification techniques are actually negligible. Furthermore, Milne and Adler (1999) note how few studies appear to consider issues of reliability, but that results may vary unless reliability controls are in place. Thus, the

variety of different approaches to capturing the disclosure variable in content analysis may also explain some of the different results, again implying that results from this literature be treated with caution.

Beyond methodical issues of sampling, proxy selection and coding, there are more fundamental methodological criticisms of quantitative analyses to SER generally. Unerman (2000) notes that a key assumption underlying many content analysis studies is that volume of disclosure reflects the relative importance that a reporting entity attaches to each disclosure. This itself may be somewhat simplistic. Indeed, the reductionism inherent in scientific methods necessitates a simplification of reality. That simplification restricts what those methods can tell us about SER: “given the exceedingly complex nature of the business environment, there are inherent limits in the ability of positive empirical research to capture all the dimensions that influence CSR decision making” (Roberts, 1992, p.610). Scientific method was constructed to understand the natural world, whose laws appear relatively unchanging. However, the social world deals with what does change, morality and politics (Gadamer, 1998). This is not to deny wholesale the applicability of scientific modes of understanding, on the contrary. Such a rejection would be absurd and preclude the possibility of knowing (say) how many companies report in a particular industry or how disclosure levels generally vary in response to societal factors. Quantitative studies have told us some fundamental things about SER and will continue to do so in the future. However, it is important to be aware of the limitations that quantitative approaches bring. In doing so it we can recognise that other ways of viewing and interpreting the world can complement these analytic studies by allowing explorations of the richness and complexity of the business world.<sup>5</sup> Indeed, more interpretive studies have reached more encompassing conclusions as regards to whether disclosure reflects underlying socio-environmental performance.

### **3.4 Reporting Quality**

The more positivist studies have been unable to offer steadfast conclusions as regards to the exact nature of the relationship between SER and socio-environmental performance. Nevertheless, these studies do raise questions pertaining to the quality of SER and whether it can be relied upon to make an assessment about an organisation’s social and environmental activity (Gray, 2005). More interpretive studies have offered more convincing explanations of the quality of SER. The following assessments of SER practice arise from either in-depth fieldwork or from personal reflections on

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<sup>5</sup> In turn, this may lead to more sophisticated theorisations of SER.

current practice. For example, Gray and Milne (2002, 2004) and Gray (2000) each offer suggestions as to what would be incorporated within complete social, environmental and sustainability reports. In each of these papers, the ideal for reporting is outlined and the significant shortcomings of SER practice in those regards are highlighted. These studies are based, not on reductionist disclosure proxies, but on multifarious notions of what constitutes good SER. The main thrust of Gray's (2000) and Gray and Milne's (2002, 2004) arguments are that current SER practice ignores fundamental environmental<sup>6</sup> and social issues as well as engaging with a very limited notion of sustainability (see also Fayers, 1998 and Milne *et al*, 2005). In spite of this partiality in reporting, business attempts to present itself as socially and environmentally responsible and, in some cases, sustainable. However, Gray and Milne (2002) argue that these claims are unsubstantiated on the basis of current SER practice.

Other studies looking at the relationship between SER and socio-environmental performance conclude that the two are linked only very tenuously. Adams (2004) has suggested that there is a social and environmental reporting-performance gap in UK companies. In a study of one organisation, it was found that there was a gap between the company's reporting and externally perceived performance. Issues not mentioned in the reports but highlighted in the media included deaths through pesticide use; misleading advertising; accusations of price fixing; human rights issues and animal testing. Adams (2004) suggests that the company could therefore be accused of cherry picking by presenting a one-sided view of sustainability; ignoring negative news; and resisting more complete reporting. Collin and Gilmore (2002) similarly critique British American Tobacco's first social report. They contend that British American Tobacco fails to engage with its core social and health impacts. The report also ignores many of the company's high profile lawsuits and investigations.

A more explicitly theoretical critique of SER comes from Thomson and Bebbington (2005). Drawing largely from the work of Paulo Freire, an ideal *transformative* SER is presented as one which would reflect a "multiple and subjective understanding" (Thomson and Bebbington, 2005, p.520) of organisational socio-environmental interactions.<sup>7</sup> Thomson and Bebbington (2005) suggest that this would involve stakeholders in setting the reporting agenda to a significant degree,

<sup>6</sup> In particular, Gray (2000) and Gray and Milne (2002) suggest that organisations should attempt to calculate overall environmental impact in the form of an Ecological Footprint. The Ecological Footprint is a comprehensive calculation of the environmental impact of an organisation, region or economy rendered in terms of productive land area (see Wackernagel and Rees, 1996 and Chambers and Lewis, 2001). Full Cost Accounting is another methodology that may be used to make such an assessment of environmental impact, albeit rendered in financial terms (see Bebbington *et al*, 2001).

<sup>7</sup> Evoking the PolyVocal Citizenship of Gray *et al* (1997).

and would likely show conflict rather than coherence. Moreover, taken-for-granted assumptions should emerge and pose problems for the teacher and the student. However, actual UK SER practice is described by the authors as representing an ‘objective’, singular and business-skewed depiction of reality. Reports represent statements of facts rather than the start of a conversation; stakeholders are passive and rarely engage with reports at all once they are published; and hidden phenomena are not brought to light and problematised, on the contrary. Reports serve to justify business activities and Western Capitalism. SER is therefore non-dialogical.<sup>8</sup> Furthermore, stakeholder engagement processes that underpin SER are largely non-dialogical. Thomson and Bebbington (2005) observe that the scope of engagement is defined largely by organisations and that the purpose of the ‘dialogue’ is for the organisation to understand stakeholders and not vice versa. In conclusion, current SER practice, incorporating stakeholder engagement processes, “falls short of the emancipatory ideal set for it” (Thomson and Bebbington, 2005, p.530).

Similar sentiments on stakeholder engagement processes have been expressed by other scholars. Unerman and Bennett (2004) note how stakeholder engagement is unrepresentative when a wide range of stakeholders cannot be reached. They give the example of Shell’s web forum which essentially excludes stakeholders who are not either English literate or able to access the web. O’Dwyer (2005a, see also O’Dwyer, 2005b) describes a process of managerial control in which stakeholder voices were silenced in order to present a more sanitised picture of socio-environmental performance. Owen *et al* (2000, 2001) similarly describe processes of managerial capture of SER that dilute the democratic potential of stakeholder engagement processes therein.

Milne *et al* (2005) undertake a qualitative language analysis for New Zealand companies’ Triple Bottom Line<sup>9</sup> reports. In particular, the paper explores how the tensions between the environment, economic and social are acknowledged and presented through SER. Milne *et al* (2005) conclude that Triple Bottom Line reports present Sustainable Development in terms of a manageable journey where any conflicts between commercial and socio-environmental criteria are not considered to be fundamental. A sense of control and progress is communicated through the reports by: evoking the metaphor of Sustainable Development as a journey (this focuses attention on a vague process rather than a defined end-point); stating a commitment to and caring for stakeholders; implying that

<sup>8</sup> Puxty (1991) came to exactly the same conclusion albeit from a different theoretical angle.

<sup>9</sup> Triple Bottom Line reporting refers to the equal reporting of social, environmental and economic information pertaining to organisational activities. Gray and Milne (2002) suggest that this should expose the conflicts and tensions that exist between these three pillars of sustainability. However, Gray and Milne (2002) argue that this form of Triple Bottom Line reporting remains something of a mirage and it owes “more to rhetoric and ignorance than to practice and transparency” (p.8).

Sustainable Development can be arrived at through measurement, management and expert control. Sustainable Development is also conflated (confused) with Corporate Social Responsibility. Milne *et al* (2005) suggest that the latter really refers to good housekeeping at the organisational level. In contrast, Sustainable Development is a systems level concept yet the New Zealand Triple Bottom Line reports talk only about the reporting entity.

In light of these studies, we can say with some certainty that the quality of SER is such that one cannot make a meaningful assessment of an organisation's socio-environmental performance. In spite of the evangelical assertions found in some quarters that we are in the midst of a "transparency revolution" (UNEP/Sustainability, 2004, p.11), the evidence suggests that SER fails to discharge accountability in a meaningful sense. We are therefore left to once again demand more and better information, as well as more acceptable ways of attesting to that information (see Ball *et al*, 2000; Dando and Swift, 2003; and Elad, 2001). Why SER takes this unsatisfactory form is clearly of interest. In other words, to what purpose do organisations produce SERs that, at best, only tenuously reflect underlying socio-environmental performance? If not accountability, then what motivates organisations?

### **3.5 Summary and Conclusion**

This chapter has introduced the SER literature. Following Gray (2005), the literature is divided into analyses, interpretations and investigations of SER. The more positivistic analyses have been considered here. These studies have shown that SER clearly arises in some countries rather than others, that it is generally related to the more high profile industries, and it is predominately the larger companies who report more. Less conclusive have been the studies looking at the relationships between SER and environmental performance and/or socio-environmental performance. The reasons for this may be largely due to the plethora of proxies and methods used to capture disclosure and performance variables. However, the search for the perfect variables and techniques by which to carry out content analyses, regressions and correlations may itself detract from the inherent limitations that quantitative approaches have to understanding SER. As Gray (2005) notes, even if relationships are found, "they are relationships which only dimly inform us about the central issues of concern" (p.18).

A more fundamental question relates to why these relationships may occur at all. If, as more interpretive studies have suggested, reporting quality is so low that accountability is not meaningfully discharged, then why do organisations continue to report? Clearly something other

than accountability or transparency is motivating organisations. This is a theoretical question that cannot be answered through analysis alone. It is to theoretical interpretations of practice that we now turn to in the following chapter, assessing what we know about *why* organisations report. The above analyses of SER have employed theoretical interpretations to explain their results. Those interpretations have invariably been drawn from some variant of bourgeois political economy theory. More qualitative investigations into SER, whilst working within the same bourgeois political economy frameworks as quantitative studies, have both developed the existing theories of SER as well as having simultaneously exposed them as underspecified. It will be argued in the following chapter that more sophisticated theorisations of SER may consequently be pursued through building on the insights offered by the fieldwork of recent years. The chapter will also outline the perceived need for a more critical perspective than that commonly employed in the literature.

## **Chapter 4**

# **Interpretations of and Investigations into Social and Environmental Reporting**

### **4.1 Introduction**

The aim of this chapter is to outline the theoretical perspectives which the literature has found to be widely employed for increasing our understanding of how SER operates and why organisations undertake SER. Further to this, the chapter will introduce the investigative work into SER of recent years, arguing that some of the insights proffered by those studies have shed light on the complexity of reporting practice. Moreover, the insights generated by these investigations do not always fit easily within the bourgeois theorisations that dominate the SER literature. Indeed the fieldwork of recent years has succeeded in exposing much of the dominant bourgeois theorisations as underspecified. Whereas the previous chapter focused predominately on the what?, where? and when? of SER practice, this chapter is concerned with exploring the why? and the how? Whilst clearly all of these questions are relevant to understanding SER and, indeed, are predicated on each other (Gray, 2005), arguably it is of more importance to make the why and the how questions more central to any discussion of SER and its emancipatory potential. Substantive consideration of what motivates companies to currently report, and whether this represents tensions for increased accountability, may be necessary in assessing whether or not SER can fulfil its emancipatory possibilities.

The majority of socio-political theorisations of SER have adopted some form of Political Economy perspective (Gray *et al*, 1995a). These Political Economy theorisations generally explain SER as a tool that is used to confer legitimacy on reporting entities specifically, and on wider institutional arrangements more generally. Other theoretical perspectives have also been brought to bear that shed light on the complexity of SER practice at the firm level. These latter studies in particular have adopted an investigative style of research that has yielded rich insights into the internal struggles over SER. It is argued that engaging SER actors directly can lead to further theorisation of SER at both the level of firm-stakeholder relations as well as

further theorisation of the role that SER plays in the wider hegemony of advanced capitalism.

The layout of the chapter is as follows. The following section will introduce the theories of SER. Gray *et al* (1995a and 1996) classify theories that seek to explain SER into decision usefulness, economic and socio-political theories. This classification will be employed here. However, whilst decision usefulness and economic theories *may* explain something of why organisations disclose social and environmental information the main focus will be on the socio-political theories of SER as these offer a much wider perspective that is more appropriate for also considering the emancipatory potential of SER. The assumptions implicit in economic and decision usefulness studies, such as that of rational economic man, are at direct odds with the more socio-environmentally informed vision of human nature and societal arrangements that the SER project seeks to promote. Moreover, economic and decision usefulness studies look (implausibly) at the economic domain in isolation from the social and political context within which it operates, and can be contrasted with the socio-political theories of SER. These socio-political theories typically fit within either a bourgeois or classical Political Economy framework, and it will be argued that they all bring important insights to bear on why organisations undertake SER. Moreover, neither of these socio-political theories should be looked at in isolation but, rather, there is a need for theoretical integration that considers how SER serves both firm-level and system-level legitimacy functions.

Section 4.3 looks at other theoretical perspectives on SER, as well as other investigations into SER practice. What is common to all of the studies outlined in section 4.3 is their exploratory emphasis. The burgeoning literature on fieldwork has allowed for the further specification of existing SER theories, as well as offering new perspectives. In particular, many of these studies have looked at ‘how’ organisations go about constructing SER, which appears to have a significant bearing on understanding ‘why’ these organisations do so. The final section draws the ideas from each section together in order to argue that further theorisation of SER requires a level of resolution that considers the capitalist system within which SER operates as well as looking at what role SER plays in managing stakeholder relations and conferring legitimacy on individual firms. Furthermore, it is argued that this theorisation may be

usefully be brought about by building upon the insights of the fieldwork investigations into SER.

#### **4.2 Interpretations of SER**

Gray et al (1995a) make the distinction between two broad variants of Political Economy Theory: bourgeois and classical. Bourgeois Political Economy Theory may be associated with the liberalism of John Stuart Mill, whereas Classical Political Economy Theory is more closely associated with the writings of Marx. The former adopts an essentially pluralistic view of society whereas the latter “places sectional (class) interests, structural inequity, conflict and the role of the State at the heart of its analysis” (Gray et al, 1995a, p.53). Gray et al (1995a) note that this distinction is crucial as the Classical perspective views processes of mediation and modification as determined by wider structural interests. In contrast, the bourgeois view of Political Economy views these processes of mediation and modification as the whole story. The Marxist distinction between the base and the superstructure may be useful here. A classical Political Economy perspective would hold that the economic base of capitalism (being the dominance of capital over labour) determines the superstructures of society (being the surface elements of ideology, culture, the legal system, accounting and so on). In other words, the capitalist base has a deterministic influence on the way in which conflict is mediated and modified at the level of the superstructure. Importantly, from this perspective, the superstructure can have only a very limited influence on the economic base, e.g. class relations cannot be altered. As far as accounting is concerned, it has been argued from a classical Political Economy perspective that accounting cannot change in and of itself, but can only change once there has been change in the underlying structure of society (Cooper and Sherer, 1984). In contrast, a Bourgeois view of Political Economy largely ignores the structural power of the economic base, focusing almost entirely on the superstructure.<sup>1</sup>

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<sup>1</sup> Later on in the thesis the work of Antonio Gramsci will be introduced. Gramsci’s Marxism offers a new Political Economy perspective from the two presented here. Gramsci maintains that the economic base is not fully deterministic and that certain superstructural elements are relatively autonomous. It will be argued that this, less teleological reading of Marx offers a more sophisticated theorisation of how SER may lead to social change than is currently offered in the literature.

The theories commonly employed in the SER literature generally adhere to a bourgeois Political Economy perspective that may be criticised for not dealing adequately with the fundamental conflicts that underlie advanced capitalism (see, for example, Gray *et al*, 1995a). This is not to discredit the bourgeois literature, on the contrary. Stakeholder and Legitimacy theories tell us much about how SER is employed as part of a process of moral conflict avoidance or mediation. There is yet much more that these theories can tell us about this process (Deegan, 2002; Tilt, 2003; Tilling, 2004). However, it is increasingly recognised that understanding SER requires also an appreciation of the wider context within which SER operates (see, for example, Gray, 2002, 2004). If SER practice is to face up to the structural constraints and contradictions of capitalism (see, for example Bebbington, 1997; Gallhofer and Haslam, 1997a,b; Arnold and Hammond, 1994; Lehman, 1999, 2001) then theorisations of SER must also take account of these issues. In this sense, bourgeois and classical Political Economy theories may be considered complementary, with each focusing on a different level of resolution that can inform our understanding of SER (Gray *et al*, 1995a).

#### 4.2.1 Functionalist Theories of SER

In explaining why certain relationships between SER and other variables may hold, Gray *et al* (1995a) note that authors have placed their studies into three broad groups of theories concerning organisation-society information flows: decision-usefulness studies; economic theory studies; and socio-political theory studies. Decision usefulness studies essentially seek to determine whether corporate social and environmental information appears on the radar of (usually financial) stakeholders, whether through asking those stakeholders directly or by conducting event-based studies to determine the share price reaction to such information. Overlapping and supplementing decision usefulness studies, economic theory studies have applied positive accounting theory and agency theory explanations to SER; although Gray *et al* (1995a) note that there has been relatively little development of this perspective on SER.

These two groups of theories will not be explored in detail in the thesis. As was made explicit in the previous chapter, the concern with SER centres on its democratic emancipatory potential and pertinence to wider concerns than simply the financial concerns of economic stakeholders. Given that the latter is the main thrust of decision usefulness theories, it is likely that such a perspective would bring little to bear on the development of wider accountability mechanisms. Rather, these studies maintain a shareholder primacy focus that is at odds with the goals of the social accounting project (Deegan, 2004). The danger is that in communicating reality, we also construct that reality (Hines, 1988).

Economic theory studies too have questionable underpinnings and, as a result, may have dangerous material consequences. Firstly, positive accounting theory operates disingenuously under the auspices of neutrality (Tinker, 1982) and, secondly, its actual implicit normative position is directly at odds with the concerns of SER as defined in chapter 2. Positive accounting theory claims objectivity and disinterestedness but, in fact, what comes to pass as mainstream accounting research is strongly shaped by political processes that are constituted by wider structural arrangements. Thus, mainstream positive accounting theory is inherently conservative. As Gray *et al* (1995a) observe, the economic theory perspective's deference of

“all wisdom to (allegedly free) “markets” runs entirely counter to principal concerns of [SER] which is motivated primarily by the market failures (especially injustices, anti-democratic tendencies, information assymetrics and “externalities”) and desire to change current practice” (p.51).

Furthermore, the central assumption of agency theory that humans are motivated by short-term financial interest “seems not only empirically implausible but also highly offensive” (Gray *et al*, 1995a). If we can presume that human behaviour is to some extent a product of its surroundings, then purportedly ‘neutral’ theories that project narrow views of human nature risk turning their assumptions into self-fulfilling prophecies (see Thielemann, 2000). These theories are therefore not only offensive, but also dangerous to a field such as SER that seeks to promote more compassionate, socio-environmentally informed human endeavours than simply making more money for managers and shareholders (see, for example, Gray *et al*, 1987, 1996).

#### 4.2.2 Socio-Political Theories of SER

Gray *et al* (1996) suggest that “by far the more interesting and insightful theoretical perspectives are those drawn from social and political theory – most particularly stakeholder theory; legitimacy theory; and the perspectives that emerge from political economy” (p.52). Common to each of these theories is the premise that the economic domain cannot be studied in isolation from the political and social context within which it operates (see Gray *et al*, 1995a, p.52). It is this integration of the economic and the political (in whatever fashion) that makes each of the socio-political theories of SER Political Economy theories.

Theories other than Stakeholder, Legitimacy and classical Political Economy have also been employed to explain SER. There have been, for example, cultural and institutional explanations (see Buhr and Freedman, 2001); Habermasian ideal speech ethics (see, for example, Puxty, 1986, 1991 and Unerman and Bennett, 2004) and Habermasian Legitimacy Theory (Rahaman *et al*, 2004); Organisational Change Theory (Gray *et al*, 1995c; Larrinaga *et al*, 2001); Institutional Theory (Rahaman *et al*, 2004); Structuration theory (Buhr, 2002); Ecological Modernisation theory (Everett and Neu, 2000); Deep Ecology theory (Gray, 1992 and Maunders and Burritt, 1991); Eco-Feminist theory (Cooper, 1992); Ecological Responsiveness Theory (Bansal and Roth, 2000); Media agenda setting theory (Deegan *et al*, 2002). These will all be considered throughout the course of the chapter. All of these ‘other’ theories represent an attempt to integrate the economic with the socio-political to some extent, although not all of them may be understood within a Stakeholder, Legitimacy or classical Political Economy perspective.

##### 4.2.2.1 Bourgeois Political economy: Stakeholder Theory

The dominant framework adopted (implicitly in most cases) in the SER literature has been that of Bourgeois Political economy. Legitimacy and Stakeholder theories may both be positioned within the Bourgeois Political Economy perspective (Gray *et al*, 1995a). Legitimacy and Stakeholder Theories offer two overlapping views of the mediation of conflict between sectional interests (capital versus labour or shareholders versus stakeholders, for example). The differences between the two theories are not

always clear as they each appear to have been applied in disparate fashion, although often the unit of analysis is different. Stakeholder Theory typically looks at conflict mediation from the point of view of corporate management, looking at the way in which managers mediate with stakeholders. Legitimacy Theory generally (but not always) considers conflict between firms and society.

Gray *et al* (1996) outline two variants of Stakeholder Theory. The first is the normative accountability approach that was outlined in the previous chapter and which resonates with equalising power relations and enhancing democracy. However, Gray *et al* (1996) note that this variant has “little descriptive or explanatory power in a [SER] context” (p.46). The second variant is much more organisation-centric. In this case, the stakeholders are identified by the organisation of concern in accordance with a perceived strategic need to ‘manage’ particular relationships. For example, Stakeholder Theory assumes that corporate management seeks the support and approval of its activities by the most powerful stakeholders (Ullmann, 1985). Ullmann (1985) suggests that social *performance* may be a strategy for dealing with different stakeholder demands. Social *disclosure* is then either a supporting strategy connected with social performance or an alternative strategy for managing stakeholder relations. Ullmann (1985) hypothesises that companies will adopt certain performance and/or disclosure strategies based on how powerful their stakeholders are and what pressures they are under. As far as reporting is concerned, firms may deploy SER in an attempt to influence the perceptions of specific stakeholder groups as regards to the socio-environmental performance and direction of the organisation. Roberts (1992) tested Ullmann’s (1985) Stakeholder Theory model, relating disclosure to measures of stakeholder power, firm strategic posture and economic performance. Roberts’s (1992) results support Stakeholder Theory, indicating that SER may be important for managing government and creditor stakeholders. Results did not confirm this for shareholders, but Roberts (1992) suggests that this may be attributable to the measure used.

Gray *et al*’s (1995a) longitudinal study of UK SER yielded interpretations consistent with Stakeholder Theory. They suggest that the issue of the environment was being negotiated, through SER, with society in general, and environmental groups in

particular. Gray *et al* (1995a) suggest that organisations appeared to be managing an emerging issue while attempting to assess the extent and power of stakeholders. Furthermore, Stakeholder Theory is also proffered as an explanation as to why the amount of attention given to specific types of SER “waxes and wanes” over the period studied. Gray *et al* (1995a) suggest that as a new issue arises, disclosure of an older (already negotiated) issue declines. For example, as redundancy and industrial relations disclosures declined, training and equal opportunity disclosures rose.

Stakeholder theory encourages us to interpret SER in accordance with which stakeholders are of most importance to the organisation (Gray *et al*, 1996). Neu *et al* (1998) maintain that financial stakeholders are the most important to the organisation and that disclosures will be primarily tailored towards them. Cormier *et al*'s (2004) survey of managerial perceptions also suggests that SER is driven primarily by the market. This is not to say that other stakeholders will not be ‘managed’. Other, secondary stakeholder groups may need to be managed and manipulated in order to more effectively meet the needs of shareholders and management. For example, Owen *et al* (2000) corporate social accounting processes have been subject to managerial capture<sup>2</sup>. Although the new social audits are ostensibly more inclusive of stakeholders than the exposè audits of the 1970s, arguably this is merely a guise for “controlling and capitalising on stakeholder sentiment for commercial gain” (p.87) Similarly, Owen *et al* (2001) suggest that the endorsement of stakeholder engagement practices by SER practice, under the guise of addressing the information needs of stakeholders, amounts to little more than corporate spin. Although shareholder interests are pre-eminent, Owen *et al* (2000) suggest that the impression given by SER is that wider stakeholder concerns *have* been addressed. SER therefore serves a legitimating function by creating the impression of accountability.

#### 4.2.2.2 Bourgeois Political economy: Legitimacy Theory

Legitimacy theory at times merges almost seamlessly with Stakeholder Theory, although Gray *et al* (1995a) suggest that the two are generally employed at different

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<sup>2</sup> For a discussion of how managerial capture of social accounting processes can happen also in third sector organisations, see Gray *et al* (1997) and O’Dwyer (2005)

levels of resolution. In looking at the relationships between firms and “relevant publics” generally, rather than stakeholders specifically, conflict and dissension may be considered more explicitly (Gray *et al*, 1995a, p.54 and see also Gray *et al*, 1996, p.46). Indeed, Legitimacy Theory also can extend into Classical Political Economy Theory. Buhr (1998) suggests Political Economy Theory may be understood within a Legitimacy Theory framework, rather than *vice versa*. The difference between the two is on the level of resolution, with Legitimacy Theory dealing with legitimacy on the micro level, and Political Economy dealing with legitimacy on the macro level (Buhr, 1998). Similarly, Gray *et al* (1995a) describe Bourgeois Political Economy as concerned with legitimacy of firms whereas Classical Political Economy is described as concerned with legitimacy of the system. Indeed, viewing the two as distinct may be problematic (see below). Nevertheless, the majority of Legitimacy theorisations in the SER literature have been Bourgeois and those that consider wider systemic legitimacy will be dealt with in the critical perspectives section below.

The basic premise of Legitimacy Theory is that threats to an organisation’s legitimacy exist when its value system is *perceived* as being incongruent with the value system of the larger social system (incorporating the values of an organisation’s various stakeholders) of which it is part (see Dowling and Pfeffer, 1975). This emphasis on perception is a crucial addendum. Lindblom (1994, p.2) notes that a consensual value system may be an impossibility. Assessments of legitimacy are carried out at the individual level. What is important therefore is not what the value system *is* (sic), but what managers *perceive it to be*. Lindblom (1994) notes that to “the extent corporate performance does not reflect the expectations of the relevant publics a legitimacy gap exists” (p.3).

Deegan (2002) argues that Legitimacy Theory can be understood from a social contract perspective. Where society is not satisfied that the organisation is operating in an acceptable manner, then society will revoke the organisation’s contract. The existence of a legitimacy gap, or the breaching of the social contract, may have negative consequences for the firm in question such as “difficulty in attracting human and financial resources, difficulty in attracting purchasers for the corporation’s outputs, and legislative or regulatory action which the corporation may wish to avoid”

(Lindblom, 1994, p.4). It is therefore in the organisation's interest to have the condition of legitimacy. When a legitimacy gap is perceived to exist, Lindblom (1994) outlines four legitimation strategies (being efforts to achieve the status of legitimacy) that an organisation may take through its SER:

- 1) Bring organisational performance into line with external expectations, and use SER to communicate this intention
- 2) Keep organisational performance as it is, but try to change external perceptions so that performance is seen as congruent with expectations
- 3) Distract attention away from issues of concern by introducing symbols that have high legitimacy status (potentially concentrating on some positive news)
- 4) Try to change societal expectations, bringing them into conformity with organisational goals and methods. (SER serves the dual role here of describing performance, as well as 'educating' readers about how to interpret this performance)

Gray *et al* (1996) suggests that many SER initiatives can be understood in terms of one of these four strategies. Indeed, Legitimacy Theory appears to be the single most popular theoretical lens employed by studies seeking to explain corporate SER. An entire issue of *The Accounting, Auditing and Accountability Journal* was devoted to Legitimacy Theory in 2002.

A number of studies have found support for legitimacy theory. For example, Patten (1992) detected a significant increase in environmental disclosures following the Exxon-Valdez oil spill by those firms involved in the Alaskan oil consortium (which was also culpable). Patten (1992) argues that these firms would have been under more pressure or scrutiny from their relevant publics and that the disclosure responses may be interpreted as legitimation strategies. Deegan and Rankin's (1996) study suggests that firms seek legitimacy by deflecting attention away from environmental fines with positive disclosures (see also Freedman and Patten, 2004). Indeed, Hammond and Miles (2004) argue that the full 'warts and all' (sic) approach to reporting that has been adopted by many organizations since the proliferation of standards such as the GRI is really just a distraction and "may be used as a legitimation device to detract

attention from more serious issues. In many instances the bad news disclosure is selective, or reflects information that is already in the public domain, as opposed to providing honest coverage” (p.75).

Clarke and Gibson-Sweet’s (1999) data tentatively supports the hypothesis that those companies with a higher profile will have to pay greater attention to community relations. In turn, this is suggestive of a legitimization strategy. Wilmhurst and Frost (2000) also found limited support for legitimization motivations. Patten (1995) explains a reduction in disclosure through the lens of Legitimacy Theory. He found that Annual Report disclosures for a sample of US companies decreased in volume and quality during the early years of the Reagan administration. This, argues Patten (1995), was to be expected due to the decreased policy actions of that administration. If the threat of legislation is less, then Patten (1995) argues that so is the need to disclose on socio-environmental issues.

Gray *et al* (1995a) suggest a number of legitimacy explanations for changes in SER observed in their study. Firstly, the increase in disclosure of employee share ownership schemes was interpreted by Gray *et al* (1995a) as partly about justifying a redistribution of income from other stakeholders to senior management (by distracting attention). Also, the increased disclosure of employee data may be explained by a desire to distract attention from growing levels of redundancy and unemployment. Furthermore, increases in pension fund disclosure may reflect growing unrest over fund impropriety, prompting an attempt by organisations to change perceptions. Gray *et al* (1995a) suggest that increases in Health and Safety disclosure may reflect a growing pressure on organisations to inform their ‘relevant publics’ of their performance. Finally, the general absence of energy and customer disclosures is explained by Gray *et al* (1995a) as reflective of an absence of concern regarding these issues for relevant publics.

As mentioned above, managers must first perceive a legitimacy gap before they undertake a legitimization strategy. Indeed, Lewis and Unerman (1999) suggest that different perceptions of what is ‘good’ and ‘bad’ in society may be an important cause of differences in SER practices. Given that legitimacy theory is based on perceptions

of a wider societal value base, managers may have different perceptions as to what society, or relevant publics, may consider to be ‘good’ and ‘bad’. If this is the case, then perceived legitimacy gaps will vary and, accordingly, so will disclosure strategies aimed at legitimation.

Deegan *et al* (2002) conducted a test of legitimacy theory from a content analysis of the Annual Report disclosures of one company (BHP). Media attention was used as a proxy for community concern for particular social and environmental issues. It was found that, generally, those issues which attracted the largest amount of media attention were also the issues that provided the greatest amount of Annual Report disclosures. The results, it is argued, show that management appear to be trying to influence negative perceptions. The study is therefore consistent with legitimacy explanations of SER. Furthermore, Deegan *et al* (2002) point out that their study also supports O’Donovan’s (1999) conclusions that management disclose in response to newspaper coverage.<sup>3</sup> Notably, the results conflict with Guthrie and Parker’s (1989) study of BHP where a Legitimacy Theory explanation was not supported (although see below for a discussion of Guthrie and Parker’s, 1989, 1990 theoretical specification).

One area where legitimacy theory appears to be underspecified in the SER context, and where it would clearly overlap with stakeholder theory, is in considering whom the “relevant publics” (Lindblom, 1994) are that actually confer legitimacy (Deegan, 2002, pp.97-98). The majority of studies that have employed a Legitimacy Theory lens have not sought to answer who exactly organisations are seeking legitimacy from. However, Neu *et al*’s (1998) study confirms their initial hypothesis that financial stakeholders are the most important. Neu *et al* (1998) suggest that when the interests of different relevant publics conflict, disclosures will be tailored to include legitimating characteristics for the more powerful public. The less important public will either be ignored or defied (their claims could even be met with less disclosure).

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<sup>3</sup> Deegan *et al* (2002) complicate their discussion of community concern by using media coverage as a proxy. However, media coverage is, it is argued by Deegan *et al* (2002), not simply reflective of community concerns but actively shapes them also. This media agenda setting theory is considered here as a theory within Legitimacy Theory much in the same way as Lewis and Unerman (1999) complicate Lindblom’s (1994) four legitimation strategies by problematising the ethical perceptions of different stakeholder groups.

Milne and Patten (2002) similarly assume from the outset of their study that environmental disclosures are primarily signalling devices, i.e. they are intended to send signals of risk management to market analysts. Using an experimental method, accountants were asked to make investment allocation decisions on the basis of fictitious Annual Reports. It was found by Milne and Patten (2002) that significantly fewer investment dollars were allocated to the firm with the worst environmental liabilities. However, this changed a lot when additional positive disclosures about pollution abatement measures were provided. It thus appears that positive environmental disclosures can have a legitimating effect among shareholders. This adds to previous Legitimacy theory explanations by showing that SER *can* be a successful legitimation tool (see O'Dwyer, 2002 for evidence to the contrary).

Deegan and Rankin (1997) also suggest that more research should be undertaken on the users of SER information. They note that legitimation strategies based on SER will only be successful if members of society actually use reported information. A survey of various stakeholders revealed that Annual Report environmental information is material to the decisions made by both shareholders and review organisations<sup>4</sup>. Analysts downplayed the significance of it. Furthermore, Deegan and Rankin (1997) found that the Annual Report information was perceived to be “significantly more important than any other source of information concerning an organisation’s interaction with the environment” (p.580). Therefore, Deegan and Rankin (1997) infer that the assumption implicit in much prior research that various groups do use SER, is valid (see also Rockness and Williams, 1988; Epstein and Freedman, 1994; and Miles *et al*, 2002).

Adams *et al* (1998) find legitimacy explanations for SER differences across six European countries. However, Adams *et al* (1998) also suggest that Legitimacy Theory does not, on its own, seem to be able to account for country differences. They argue that more fieldwork is necessary in order to uncover different social and political contexts. Deegan (2002) also calls for more fieldwork in order to develop Legitimacy Theory further, conceding that qualitative studies “signal a more

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<sup>4</sup> Review organisations are referred to as those which provide some sort of oversight over the organisation’s environmental performance and include both regulatory authorities and NGOs (see also Tilt, 1994 for a discussion over the potential influence of NGOs on SER).

sophisticated approach to testing corporate motivations, and an acceptance that “conversations” with managers and report users can provide very important insights into their behaviour” (p.299). Two such studies (although see also, Buhr, 1998; Milne and Patten, 2002 above; and O’Donovan, 1999) are O’Dwyer (2002) and O’Donovan (2002). O’Dwyer (2002) attempts to fill this gap in the literature by investigating managerial perceptions of Annual Report SER presence and absence through the lens of legitimacy theory. The managers interviewed in O’Dwyer’s (2002) study explained SER in terms of a legitimation tool, albeit unconvincingly. Further probing by O’Dwyer (2002) revealed that although SER was motivated by legitimacy concerns, it was also perceived by managers as an unsuccessful tool in that regard. The pervasive explanatory power of Legitimacy Theory was therefore questioned for the Irish context. Furthermore, this study points implies that reporting practice may be both complex and contradictory. O’Dwyer (2002) also shows how the researcher, in being active in interviews and engaging interviewees in a two-way discussion, can yield theoretical insights that would otherwise remain submerged. O’Donovan (2002) interviewed senior Australian managers and asked how they *would* respond (*ex ante*), hypothetically, to certain scenarios. The results indicate that managers will use different disclosure strategies for different situations depending on whether managers perceive the need to repair, maintain or gain legitimacy. The distinction between these different states of (il)legitimacy shows, in novel fashion, that legitimacy is a multi-pronged strategy. The *ex ante* focus employed by O’Donovan (2002) is also one that is not open to quantitative analyses of SER that limit themselves to *ex post* phenomena, i.e. reports already published.

#### 4.2.2.3 Classical Political Economy and Critical Perspectives

Much of the more critical-theoretic literature was presented in-depth in chapter 2. Many of these studies broadly sit within a classical Political Economy perspective in that they come to the conclusion, or start from the premise, that accounting cannot change society, and indeed cannot itself be significantly changed until there has been an underlying change in the way in which society is structured (Cooper and Sherer, 1984). For example, Tinker *et al* (1991) suggest that SER mystifies and minimises the structural inequalities of contemporary capitalism (p.36). Furthermore, SER theorising that bases itself on the unstable middle ground of “what is pragmatic and

socially acceptable” (Tinker et al, 1991, p.29) will implicitly champion the status quo, thereby rendering SER counter-productive as regards to its purported aim of increased democratisation. Building upon this classical Political Economy perspective, Cooper (1992) introduces a feminist critique of Environmental Reporting. She argues that accounting itself is a phallogocentric tool that fixes meaning in unitary rather than multiple terms. In doing so Cooper (1992) argues that Environmental Reporting reproduces the patriarchal order. Echoing Cooper and Sherer (1984), she concludes that “(w)ithout a change to society, there is no way out of this. In the present symbolic order accountants should not attempt to account for the environment” (Cooper, 1992, p.37).

Cooper *et al* (2005) situate their critique of SER within a Marxist characterisation of capitalism. They suggest that because of the market’s relentless drive toward profits, companies do not and indeed *cannot* provide information within which to make socially effective and efficient decisions. Consequently, call for information from companies, even when aligned to calls for them to look outside their organisational boundary, will result in very poor information from a societal perspective. Cooper *et al* (2005) argue that SER must be situated within a theory that considers the totality, change and contradictions of capitalist society. In not adequately considering power relations, SER theorists reflect enlightenment, even positivist thinking that focuses on isolated parts rather than a holistic, inter-connected whole: “SE[R]s that do not make connections with the rest of the social totality will be flawed in terms of their usefulness in making socially effective and efficient decisions” (Cooper *et al*, 2005, p.958).

Maunder and Burritt (1991) argue that accounting for the environment will only exacerbate environmental problems unless accounting changes are supported by changes in the ideology that underpins accounting (see also Mouck, 1995). Neo-classical economics is posited by Maunder and Burritt (1991) as fundamentally in conflict with the solution of ecological problems due to, *inter alia*, its promotion of selfishness, economic growth, anthropocentrism and wants over needs.<sup>5</sup> Everett and

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<sup>5</sup> How changes in ideology (a superstructural element) may be brought about is not considered in detail by Maunder and Burritt (1991), although a Classical Political Economy perspective would maintain that such a change would not be possible without an underlying change to the economic base. A

Neu (2000) critique current Environmental Reporting theorising for its questionable belief in the ability of corporations to rectify their environmentally destructive behaviour.<sup>6</sup>

Adopting a Habermasian lens of communicative action, Puxty (1986) maintains that “social accounting...can develop around its (unfounded) truth claims so as to bolster its own position, and to do this, it has developed at least partly in response to the needs of the power centres in society (1986, p.103). Puxty “reject(s) the possibility of progress of society through current pluralist institutions, and corporate social information that might be generated through them” (1991, p.41). Puxty’s (1986, 1991) perspective is slightly more nuanced than a classical Political Economy view. He too maintains two levels to society, being the economic and technological level (base) and the level of human communicative interaction (superstructure). However, Puxty (1991, p.42) maintains that the superstructure has its own laws of development and is not wholly dependent on the fundamental contradiction between capital and labour at the economic base. Puxty (1991) maintains that dissolution of fundamental inequality will not be delivered by “a utopian social engineer [who] designs a ‘better’ social structure” (p.43). Rather, society becomes involved in a discourse of realisation of the systemic contradictions arising from the economic base. From the self-realisation, physical emancipation is presumed to follow. In this respect, SER can only lead to meaningful social change if it is dialogical, which it is not (Puxty, 1991 and see also Thomson and Bebbington, 2005). The explanation for why SER is not dialogical is attributed to the structural strength of corporations: “Accounting is part of a system of distorted communication that reflects the social system. Any extension of accounting through the processes of that system can thus be no more than an extension of that systematic distortion” (Puxty, 1986, p.108). Given that the structural strength of corporations stems from the economic base, one may question whether Puxty (1986, 1991) is, as he claims (1991), really incorporating a theoretical perspective that is substantially different from Classical Political economy. This rejection of the

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Gramscian perspective would take a different view on this determinism by the economic base (see chapters 12 and 13).

<sup>6</sup> Everett and Neu (2000) also critique Gray *et seq* for their adherence to a ‘weak’ version of ecological modernisation. If this were the case, then SER’s emancipatory potential would surely be severely stunted. However, Everett and Neu’s (2000) argument is not well supported by their analysis. A fuller discussion of ecological modernisation will appear in chapter 6.

deterministic nature of the economic base, whilst simultaneously affirming its deterministic character, perhaps represents a contradiction, or under-specification in Puxty's (1986, 1991) theorisation.<sup>7</sup> On the basis of Puxty's (1986, 1991) critique, it is difficult to see how SER could become dialogic without a fundamental change to the economic base that affords corporations such structural strength that communication is distorted.

Lehman's (1999, 2001) communitarian critique of SER also situates itself within a more classical Political Economy framework. Although Lehman's (1999, 2001) project seeks to extend liberalism beyond its procedural parameters by drawing on the work of Charles Taylor, it is informed also by the work of both Tinker *et al* (1991) and Puxty (1986, 1991). Lehman (1999, 2001) infers from Tinker *et al* and Puxty that SER will be captured by corporations and used to bolster their own interests. He goes further in critiquing the work of Gray *et al* on the basis of its under-theorisation of the role of the state. In Lehman (1999) it is put forward that the neo-pluralism inherent in Gray's model of accountability does not recognise adequately how corporations can overcome command and control models of state regulation. Thus, there is little prospect for SER to increase accountability in the first instance, and lead to meaningful social change in the second: "social and environmental accounting frameworks have the potential to perpetuate the destruction of the natural world that they are meant to protect" (Lehman, 1999, p.221). The problem with SER, argues Lehman (1999, 2001), is in according corporations a privileged position as the agents of social change. Rather than developing top-down accountability, Lehman (1999 in particular but also 2001) suggests that the focus should be placed on civil society (bolstered by the state) building accountability relationships from the ground up. Lehman (2001, p.728) argues that only through civil society can SER "critically engage the procedural and structural limitations of capitalism" (see also Mouck, 2005 for a similar argument in support of focusing on civil society rather than corporations).

Many studies have found empirical support for more Classical Political Economy interpretations of SER practice. For example, Gray *et al* (1995a) note that, during the

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<sup>7</sup> Puxty (1991) also accuses the producers of external social audits of being non-dialogical in the manner in which they construct accounts. In this regard he considers such accounts to be of little emancipatory potential.

period studied, the government encouraged business (as ‘wealth creators’ and custodians of the market place) to take on many new roles previously dealt with by the state. Greater employee consultation and community involvement was encouraged and the disclosures reflect these changes. Also Gray *et al* (1995a) suggest that the wider disclosure of employee share ownership schemes may constitute evidence of a widening of Mrs Thatcher’s capital-owning democracy. Gray *et al* (1995a) conclude by saying that “Marxian perspectives do indeed have important interpretations to offer of [SER] practice” (p.64).

Collin and Gilmore (2002) have critiqued British American Tobacco’s first social report. They contend that it “constitutes a superficially rigorous application of the AA1000 standard” (p.356). Even if the guidelines have been followed, British American Tobacco still fail to engage with their core social and health impacts. The report also ignored many of its high profile lawsuits and investigations. Collin and Gilmore suggest that the adoption of SER in this case is part of a broader political strategy to restrict the development of global health policy. This may be understood from a Classical Political Economy perspective in that it suggests SER is a tool for conferring legitimacy on the Tobacco industry generally. Patten’s (1992) study on the Alaskan oil spill similarly interpreted disclosure responses as an industry-wide mediation. Hogner (1982) showed how the social disclosures of one company over almost a 100-year period waxed and waned in response to threats to organisational legitimacy brought about by systemic fluctuations.

Tinker and Neimark (1987) look at the way in which women are represented in the Annual Reports of General Motors over a 60-year period. In doing so they explore the links between capitalism and female exploitation and the role of accounting therein. There are two main elements to the study. Tinker and Neimark (1987) outline two of the systemic crises of capitalism and the role of SER in resolving those crises by redefining the role of women in the economy. Firstly, changes in the supply and demand of male labour require that women are periodically called into being as an “industrial reserve army” (Tinker and Neimark, 1987, p.76). Analysis of General Motors’ Annual Reports reveals that this image of women was projected in correspondence with times when male labour threatened to become too costly. Secondly, during periodic crises of underconsumption, General Motors’ Annual

Reports articulated a myth of the necessity of social consumption built around the notion of a nuclear family where women's place was in the home. Tinker and Neimark (1987) argue that the Annual Reports of General Motors were used as "ideological instruments for promoting policies, beliefs, attitudes and practices that perpetuate the inequality of women and other disadvantaged groups" (p.73).

It should be noted that the characterisation of Political Economy Theories by Gray *et al* (1995a) and that is employed in this thesis is not one that appears to have been universally embraced by social accounting theorists. Indeed, Woodward *et al* (2001) suggest that Gray *et al*'s (1995a) classification of Political Economy into Bourgeois and Classical variants is a "novel dichotomy". Woodward *et al* (2001) and Maltby (2004) both describe (seemingly Classical) Political Economy in terms of a *pro-active* approach to CSR. Maltby (2004) looks at the early twentieth century AGM speeches made by corporate management (this was the most common form of disclosure at this time, it is pointed out). Maltby (2004) suggests that a proactive stance indicates more a Political Economy Theory interpretation over Legitimacy Theory: "companies use [SER] not merely to show their compliance with pre-existing norms, but to set out a particular array of values as significant, to make the case for those values and to demonstrate their adherence to them...companies take the initiative to promote their values to society rather than simply respond to social demands" (p.418). Woodward *et al* (2001) also provide evidence of a pro-active, agenda-setting approach to CSR as consistent with Political Economy Theory.

Many studies that have sought to test Political Economy Theory seem to have relied upon Guthrie and Parker's (1989, 1990) theorisations. Guthrie and Parker (1989) describe a Political Economy of accounting's view of SER:

"corporate disclosure is a *proactive* process of information provided from management's perspective, designed to set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict" (p.351, emphasis added)

Earlier in their study, Guthrie and Parker (1989) define Legitimacy Theory as primarily *reactive* to social norms. Thus, the distinction, prevalent in many recent studies, between Legitimacy Theory and Political Economy Theory as respectively reactive and proactive, was born. Guthrie and Parker (1989) may hardly be blamed for

this.<sup>8</sup> Their discussion of Political Economy Theory amounts to just one paragraph, and is clearly open to interpretation. They also clearly reference the more substantive theorisations of Political Economy of Tinker (1980); Tinker and Neimark (1987); Cooper (1980); Cooper and Sherer (1984). Those Political Economy theorisations are clearly concerned with the level of analysis, *vis-à-vis* looking at accounting in its politico-economic context and with the effects of accounting on the distribution of income, wealth and power rather than whether disclosure responses are proactive or reactive. Indeed, whether Legitimacy Theory may be considered a theory of *reactions* is itself highly debatable. Lindblom's (1994) seminal work on legitimacy theory is explicit about legitimation incorporating both reactive *and* proactive strategies. Congruence between corporate and societal values can be achieved by organisations reacting to societal expectations or by proactively attempting to change societal norms. Furthermore, Political Economy explanations have not been limited to proactive strategies either. Tinker and Neimark's (1987) study viewed disclosures as responses to particular crises of capitalism.

Many studies purporting to employ Political Economy Theory therefore may be accused of theoretical mis-specification. Adams *et al* (1995), for example, evoke a Political Economy argument for non-disclosure of equal opportunities information. Adams *et al* (1995) suggest that non-disclosure closes off potential challenges to a corporate lack of equal opportunities policies and that Political Economy Theory can explain this. Essentially, Adams *et al* (1995) reduce Political Economy Theory to simply not publishing 'bad' news in order to deflect stakeholder pressure. This is more consistent with a Legitimacy explanation. Buhr (1998) also makes a distinction between Legitimacy and Political Economy Theories. She suggests that the applicability of whichever theory can be understood in terms of whether disclosure has been motivated by a response to social and economic events (Legitimacy) or by a desire to promulgate corporate ideology (political economy)<sup>9</sup>. Kuasirkun and Sherer

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<sup>8</sup> Although Guthrie and Parker (1990) do also employ a reactive/proactive dichotomy to classify Legitimacy and Political Economy Theory. Arnold (1990) argues that Guthrie and Parker's (1990) Political Economy theorisation in that study excludes a political dimension. Therefore, the way in which Political Economy Theory has been interpreted by many studies does appear to rely on Guthrie and Parker's (1989, 1990) somewhat naïve theorisations.

<sup>9</sup> Buhr (1998, p.186) also seems to employ a dichotomy on the basis of level of resolution. She suggests that Legitimacy Theory is concerned mostly with corporate-level activities and responses whereas

(2004) found that Thai companies failed to increase their SER in the late 90s in spite of “the increasing pressures from social and environmental legislation, public scrutiny of corporate activities and deteriorating social and environmental conditions. Indeed, as conditions worsened, the number of companies disclosing their social and environmental information also decreased” (p.650). This, argue Kuasirkun and Sherer (2004), implies that Political Economy Theory is not applicable. Kuasirkun and Sherer’s (2004) conception of Political Economy appears to be identical to Buhr’s conception of Legitimacy Theory; responding to societal pressures. Thus, Kuasirkun and Sherer’s (2004) study appears to be more Bourgeois than Classical political economy. Moreover, Buhr’s (1998) conception of Political Economy is itself highly questionable, along with some of the other theorisations in the literature (see, for example, Woodward *et al*, 2001 and Maltby, 2004).<sup>10</sup>

Clearly “the whole problem of determining quite what a Political Economy of accounting *is* does warrant further study” (Woodward *et al*, 2001, p.389, emphasis original). The main characterisation of a Classical Political Economy Theory here is concerned with its level of resolution (Gray *et al*, 1995a). Pro-active or reactive aside, the concern is with the system-level conflicts and mediations that inform Tinker (1984); Tinker and Neimark (1987); Tinker *et al* (1991); Cooper and Sherer (1984); and Puxty (1986, 1991). According to this criterion, many Political Economy interpretations of SER practice may be thought of as Bourgeois as they look at the level of firm-stakeholder relations.

#### **4.3. Other Theoretical Perspectives and Investigations into SER**

Other perspectives that do not easily fit within Stakeholder, Legitimacy or classical Political Economy perspectives have also been brought to bear on SER. For example, Buhr and Freedman (2001) looked particularly at the cultural and institutional differences between Canada and the US in order to infer reporting motivations, arguing that a classical Political Economy or Legitimacy perspective would not have uncovered these. Thomson and Bebbington (2005) analyse SER from a pedagogic

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Political Economy Theory is concerned with the influence of social norms or the distribution of wealth and power.

<sup>10</sup> Williams (1999), in addition to Gray *et al* (1995a), seems to be the only paper that uses the term Political Economy but which also clearly states that their conception of Political Economy is Bourgeois, and therefore more consistent Legitimacy Theory. Notwithstanding any debate surrounding the applicability of Bourgeois and Classical variants, many other studies have not been so reflective.

perspective, suggesting that SER's "emancipatory possibilities" (p.507) are thwarted by virtue of its non-dialogic nature. An ideal SER would, argue Thomson and Bebbington (2005) include multiple stakeholder voices, and expose the conflicts that are inherent in economic activity.<sup>11</sup> However, Thomson and Bebbington (2005) note that SER tends to show a coherence that is intended to justify Western Capitalism. In this sense, Thomson and Bebbington's (2005) pedagogic perspective is perhaps amenable to a classical Political Economy interpretation<sup>12</sup>. However, it also looks at SER from a different level of resolution, looking at how the objectivity *vis-à-vis* subjectivity of the reports, thereby shedding light more specifically on *how* Western Capitalism comes to be justified through SER.

Although not focused explicitly on SER, Bansal and Roth's (2000) paper may have implications for understanding SER motivations. Bansal and Roth (2000) suggest that corporate motivations into ecological responsiveness generally can be split into 3 conceptually distinct categories. *Competitiveness* refers to the potential for ecological responsiveness to improve long-term profitability. *Legitimation* refers to conformity to a set of norms, values or beliefs and can be understood in the same way as Legitimacy Theory. *Ecological Responsibility* refers to an ethical motivation, rather than a pragmatic one. In a comparison of UK and Japanese firms, Bansal and Roth (2000) show that firms can arrive at the state of ecological responsiveness from different initial conditions and via a variety of different paths. As far as SER can be thought of as a form of ecological or social responsiveness, then the same could be said of SER, that there exist many (not just legitimacy) motivations behind it.

A rare piece of fieldwork investigating SER in developing countries was undertaken by Rahaman *et al* (2004). On the basis of in-depth interviews, Rahaman *et al* (2004) found that one of the major motivations for SER in a Ghanaian 'public sector' organization, the Volta River Authority (VRA) was coercive pressure to do so from the World Bank (being one of the funders of the organisation). The interviews also revealed the perceived tensions between meeting the social goals of the VRA such as

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<sup>11</sup> Unerman and Bennett (2004) suggest that even if a truly dialogic SER could not be implemented, then moving some way towards this ideal would still be worthwhile.

<sup>12</sup> Although Thomson and Bebbington (2005) themselves do not theorise in detail a Political Economy framework.

providing electricity to Ghanaians and the financial austerity measures imposed by external agencies such as the World Bank to safeguard investments. These tensions are not made apparent in the VRA's SER. In sum, Rahaman *et al* (2004) suggest that the VRA's attempt to report is applaudable in one sense, but also serves to obscure the poverty and inequalities that are reproduced by the VRA project. The SER seems to document institutional compliance rather than deal with substantive social and environmental issues. From a Habermasian perspective, Rahaman *et al* (2004) suggest that VRA's SER serves the legitimisation needs of the World Bank and is ultimately hegemonic in sustaining acceptance of global, free market ideology.

In one of the few detailed case studies in the area (see also, Bebbington and Gray, 2001; Dey *et al*, 1995; Gray *et al*, 1997; and Rahaman *et al*, 2004 above) Buhr (2002) investigated the initiation of environmental reports in two Canadian companies. Giddens's (1984) Structuration Theory was employed as a theoretical lens. The decision and process leading up to the initiation of the environmental reports was understood in terms of agency and the three elements of structuration: legitimisation, signification and domination. Signification provides meaning (is the organisation setting out a new meaning for its activities?); domination refers to control (is the organisation being forced to report?); and legitimisation refers to morality (is the organisation seeking social acceptance?). It was found that changing environmental disclosure practices is a long and complicated process, and that it varied across the two firms. In one case the strong domination structures of capitalism were used by a proactive institutional investor to influence the reporting practices. In the other case, agency played a bigger role in that someone inside the company was championing the process.

Three studies have employed Autopoiesis Theory. Gray *et al* (1995c) also found the role of individual champions to be significant in initiating Environmental Reporting. On the basis of in-depth interviews, Gray *et al* (1995c) assessed the extent to which Environmental Reporting was implicated in organisational change, concluding that the change brought about by Environmental Reporting was morphostatic (synthetic) as opposed to morphogenetic (fundamental). This study was replicated for a group of Spanish companies by Larrinaga *et al* (2001). They concur with Gray *et al*'s (1995c)

findings, that morphogenesis was not taking place. The central values of organisations appeared to remain unchanged by environmental reporting. Larrinaga *et al* (2001) go further to say that the Environmental Report was used to change perceptions and therefore may be considered part of a change-resistance strategy. However, Larrinaga *et al* (2001) note that transparency, although not actually achieved through the Environmental Report, emerged as a key phrase in the discourse of organisational actors. This shows the incoherence that actually exists within organisations. Larrinaga *et al* (2001) argue that the complexity of this incoherence could make the debate around which of the extant theories (Stakeholder, Legitimacy and Political economy) is most applicable, sterile. Larrinaga *et al* (2001) imply that these theories do not capture all of the complexity of SER practice.

These themes are built upon in Larrinaga and Bebbington (2001) who undertook a more detailed case study in a Spanish organisation. As in Larrinaga *et al* (2001) and Gray *et al* (1995c), Larrinaga and Bebbington (2001) question whether organisations change substantively when they respond to the environmental agenda or whether they change the environmental agenda itself in order to perpetuate the status quo<sup>13</sup>. Their results suggest that both are taking place simultaneously. Thus, Larrinaga and Bebbington (2001) offer a rejoinder to the critical school by arguing that to say there is no change is wrong. Indeed, this rejoinder could be extended to each of the socio-political theories that focus unfailingly on corporate strategic self-interest.

O'Dwyer's (2005) case study elucidated the implementation of a social accounting process in an Irish Overseas Aid Agency (APSO). The paper shows that there were numerous, conflicting motivations for social accounting but that these were eventually made to cohere in line with top management concerns. Interestingly, the confused motives were unambiguously presented in the final SER. The change-resistant board

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<sup>13</sup> It should be noted that the potential change explored by Larrinaga-Gonzalez and Bebbington (2001) is not the actual environmental impact of the organisation, but whether there has been an altered understanding of the organisation and its relationship to the environment. Interestingly the actual intention behind the SER project is not to improve organisational performance, but to transparently portray that performance for all to see. The lack of explicit emphasis on improving organisational performance is not the result of some detached intellectualism or lack of moral concern with the impacts of large corporations, on the contrary. The SER project is underpinned by a belief that corporations *cannot* improve their social and environmental performance beyond a trivial level. Showing this inability has become the primary goal of SER (see Gray and Milne, 2004 and Gray and

motivations that, by and large, informed the social accounting process, can be contrasted with the publicly stated commitment to accountability and change. This paper shows how even a seemingly willing organisation, whose activities are not dictated by institutional investors or individual shareholders, can capture and trivialise the social accounting process.

Various fieldwork studies have also looked at managerial perceptions of Sustainability, Corporate Social Responsibility or SER. Although not concerned primarily with inferring motivations behind producing a specific SER, these studies do explore the reasoning and beliefs that are held by those involved in SER. Arguably, the reasoning and belief systems of these actors are inextricably bound up with SER and the form that SER takes. Therefore, studying managerial perceptions of SER opens up another dimension to understanding SER motivations. Work on managerial perceptions of Sustainability has been undertaken by Bebbington and Thomson (1996) and Gray and Bebbington (2000). Bebbington and Thomson (1996) noted that business had yet to grapple with the more fundamental issues that Sustainable Development raises. However, almost all interviewees felt that government should set the goals whilst business should be allowed flexibility in achieving them. Gray and Bebbington (2000) interviewed managers from a number of Transnational Corporations in order to ascertain how they conceptualised Sustainability. It was found that most of the managers had a ‘weak’ notion of what sustainability meant and were very ‘business as usual’ about it.<sup>14</sup>

O’Dwyer (2003) interviewed organisational members in Ireland in order to examine, in detail, their conceptions of Corporate Social Responsibility (CSR). He found broadly 2 rationales of: Enlightened Self-Interest, where CSR is a manageable activity that is congruent with conventional business objectives; and Rights/Obligations,

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Bebbington and Gray, 2001. See chapter 2 for a more thorough discussion of the intentions of the SER project).

<sup>14</sup> For a more thorough discussion of what sustainability implies, and how it may be conceived in ‘stronger’ or ‘weaker’ terms, see Bebbington, (2001). The stronger notion of sustainability, Bebbington (2001) argues, requires a fundamental revision of (particularly) western lifestyles, consumption patterns and business behaviour. The weaker version, although recognising some form of environmental crisis, is anthropocentric, largely ignorant of eco-justice issues and is very close to a “business as usual” view of the matter. Far from suggesting that there are only two conceptions of sustainability, Bebbington’s (2001) classification allows for critical discrimination between different versions.

where a responsibility is felt for constituencies external to the firm. Although these 2 seem mutually exclusive, managers articulated them both. However, when probed by O'Dwyer (2003), it was found that the "rights/obligations and responsibilities" were not seen as requiring an economic trade-off. Rather, terms such as duty and obligation were conflated with economic self-interest. Indeed, in the case of conflict between financial and social/environmental considerations, the former dominated the latter in the discourses of O'Dwyer's (2003) interviewees.

As was found also in Gray and Bebbington (2000), this dual rationale is indicative of organisational members holding personal views that conflict with the 'corporate line'. Again, O'Dwyer (2003) found that these individuals felt powerless in doing anything but following that line. Alternatively, it may be that these interviewees were merely giving politically correct answers in the aim of appearing supportive of moral obligations. Either way, these people must exist in a confused state: CSR activities are presented as moral obligations/duties when in fact the 'reality' is closer to enlightened self-interest. The mechanisms around which strategic concerns win out would perhaps show that, prior to SER being harnessed to legitimacy concerns, an internal struggle (however futile and small) takes place which legitimacy theory fails to account for.

Norris and O'Dwyer (2004) found that personal and organisational values fitted. They explain this congruence of values by recruitment of the right people initially, and socialisation by the informal control system subsequently. At first glance, this socialisation seems to contradict previous work by O'Dwyer (2003) and Gray and Bebbington (2000) who found some resistance to the 'corporate line'. However, Norris and O'Dwyer (2004) actually go some way toward explaining how resistance is overcome in the last instance. They make the distinction between an organisation's informal and formal control system. Although primacy was attached to the commercial objectives of the formal control system, this was met with resistance from managers "who have been strongly socialised to accord primacy to the social objectives promoted by the informal system" (Norris and O'Dwyer, 2004, p.192). There thus may be conflict between the informal and formal control systems of organisations. Nevertheless, the more important point made by Norris and O'Dwyer

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(2004) is that individuals do conform to the formal control system during more economically challenging times. Thus, financial considerations dominate, although how this happens may be problematic.

Miles *et al* (2002) undertook what appears to be the broadest investigation to date into UK SER motivations. This work springs from a perceived gap in the literature, providing a “systematic evaluation of how those carrying out the process of reporting...articulate company motivation for SER” (Miles *et al*, 2002, p.12). 44 representatives were interviewed from 20 organisations. From these interviews four broad factors were found to initially motivate organisations to undertake SER. These were, in ascending order of importance: peer pressure and benchmarking activities; stakeholder pressure; government pressure; and pressure from the City. Whereas the initial decision to report was understood by SER managers in terms of reacting to pressure, Miles *et al* (2002) found that, once the organisation had started reporting, a number of perceived benefits arose: enhanced external reputation; external recognition via awards/ranking exercises; increased staff morale; and “business drivers, such as cost or risk reduction” (p.85). Therefore, there was a mixture of both proactive and reactive reasons for continuing to report. Furthermore, Miles *et al* (2002) interviewed ten organisations that did not produce a stand-alone SER and that dedicated little attention to social and environmental issues in the Annual Report. The reasons given by the interviewees for non-reporting were articulated in terms of a lack of business relevance.

Adams (2002) highlights a series of “internal contextual factors” (p.223) that play an important part in influencing reporting. The factors were related to both the attitudes of organisational members and an organisation’s internal processes. For example, in addition to managerial attitudes towards reporting and responsibility, Adams (2002) suggests that the way in which organisations structure their reporting process (i.e. which departments are involved and the timing and resources committed) has an important impact on how the report will turn out. This points toward a potential variety of reasons, or “internal contextual factors” (Adams, 2002, p.223) that may explain the diversity in SER practice.

#### **4.4 Discussion**

Bourgeois perspectives have helped us to understand the processes of mediation and modification at the level of the superstructure. Specifically, Stakeholder and Legitimacy theories help in understanding how legitimacy is conferred at the level of the corporation. However, it has also been suggested that these theories are under-specified. For example, Deegan (2002) notes how Legitimacy Theory still contains many gaps, including whether legitimisation strategies are actually effective; which particular groups are more readily influenced by legitimising disclosures; how managers become aware of community concerns; and who the “relevant publics” are. A relative lacuna of research into who the relative publics are also indicates an under-specification of stakeholder theory: “understanding which stakeholder groups are valued and how managers address (or fail to address) these groups takes us forward in our understanding of corporate legitimacy and stakeholder relations” (Cormier *et al*, 2004, p.160).

There may therefore be much more to learn about conflict mediation at the levels of resolution offered by Legitimacy and Stakeholder Theory. Tilling (2004) argues that Legitimacy Theory can be a powerful mechanism for understanding voluntary SER, but it needs to be refined. He notes that most studies have focused on how organisations defend legitimacy, rather than how they establish, maintain and extend legitimacy. Patten (2002) similarly argues that most work on Legitimacy Theory looks at specific reactions to specific events, thus reflecting a concern with crisis management rather than ongoing legitimacy relations.

This may point towards a more fundamental limitation of Legitimacy Theory, its level of resolution. By focusing on specific points of conflict mediation, the focus invariably remains on firm-level legitimacy or stakeholder management. Whilst understanding this conflict mediation is clearly of interest to understanding SER and what function it serves, it also does not tell the whole story. Other theories, at different levels of resolution, can also offer explanations of SER that Legitimacy and Stakeholder Theory cannot (Gray *et al*, 1995a). Arguably what is needed is an appreciation of the systemic conditions that give rise to processes of conflict mediation, as it is these systemic, structural conditions that must ultimately be transcended if we are to move to a more democratic and just social order. Gray (2002)

calls for more meta-theorisation of accounting to allow for more sophisticated conversations between ourselves and to counter the implicit tendency towards managerialism that is inherent in un-theorised accounting. Similarly, Gray (2005) echoes this call by demanding more critical theory to inform social accounting debates. As Gray (2002) notes, the principle justification for SER must lie in its “emancipatory and radical possibilities” (p.689). To assess this, it seems essential that we have an appreciation of how SER operates in and emerges from a wider context.

Gray (2005) argues that this is

“especially important because, as far as I can see, it is not possible to consider the future, the urgent potential for the pursuit of sustainability and more immediately the possibilities of responsibility and ecological stewardship, without a serious appreciation of global financial capitalism, the role of the state and the roles played by power in its various guises” (p.22).

This emphasis on theory underpins much of the critical arguments. A wider level of resolution for critiquing and understanding SER therefore seems apposite. However, this is not to say that Bourgeois theorisations are without merit. There have been shown to be instances when Bourgeois Political Economy explanations hold more weight than Classical Political Economy interpretations and where the two variants of Political Economy complement each other (Gray *et al*, 1995a). The critical literature indicates little in the way of positive as regards to the emancipatory potential of SER. Larrinaga and Bebbington, 2001 suggest that SER does bring about some sort of positive change. Even if Environmental Reporting delivers only a trivial level of accountability, to recognise that it does at least this seems a more plausible starting point for theorising SER than ignoring it completely. However, the rejoinders to the critical school (see, for example, Bebbington, 1997; Gallhofer and Haslam, 1997a,b; Gray, 2002; 2004; and Larrinaga and Bebbington, 2001) do lack the support of adequate theorisation.

In maintaining the existence of an emancipatory potential for SER, accountability theorists essentially presume that SER has some trojan horse capacity (Gray, 1992) or, in other words, that the superstructure can influence the economic base. Such a conclusion would be untenable from a Classical Marxian position, although a Political Economy critique of SER that does not ascribe a deterministic character to the

economic base, but at the same time considers the fundamental systemic contradictions within capitalism, may tease out any theoretical purchase that the rejoinders of accountability theorists to the critical school may have. The distinction between Classical and Bourgeois Political Economy Theories is useful for analytical purposes, but it perhaps should be borne in mind that the two levels of resolution interpenetrate each other. Bourgeois theories that look at firm-stakeholder conflict mediations ignore the wider power relations that bring this mediation about. In contrast, Classical Political Economy tends to ignore the immediate firm-stakeholder relations in favour of more searching and fundamental power relations. However, a more sophisticated Political Economy framework would argue that firm-stakeholder relations constitute, and are constitutive of, wider power structures (Levy, 2005). Both levels of resolution are therefore relevant and analysis of both will allow for an analysis of the emancipatory potential of SER, being an activity that seeks to change wider power relations through, first of all, changing immediate firm-stakeholder relationships.

The SER interpretations through the lenses of Structuration Theory, Autopoiesis Theory and Pedagogic Theory, as well as the other investigations into SER, have offered much in the way of understanding *how* SER takes place within organisations. In particular, they point towards the complexity of SER motivations and the internal organisational struggles that take place around SER. As Larrinaga *et al* (2001) note, these types of investigation yield insights that extend beyond the parameters of Stakeholder, Legitimacy and Political Economy Theories. Again, just as Stakeholder, Legitimacy and Political Economy Theories may be considered complementary, so too can other theoretical perspectives complement an understanding of SER motivations and the role that SER serves. What is essentially being advocated here is theoretical pluralism. As Deegan (2002) notes “it seems important to remember...benefits that can accrue from trying to see a particular occurrence through more than one view (theory) of the world” (p.295). It seems clear from the fieldwork studies highlighted above that understanding *how* organisations go about constructing SER tells us a lot about what function SER is intended to serve and what organisational, cultural and institutional impediments are to SER realising its emancipatory possibilities.

For example, the work of O'Dwyer (2003, 2005) and Norris and O'Dwyer (2004) shows how internal struggles over meaning for SER are eventually made to cohere around business objectives. Nevertheless, some resistance to this appears to exist (Gray and Bebbington, 2000 and Larrinaga-Gonzalez *et al*, 2001). How this adherence to the corporate line comes about, and whether the situation could be otherwise, is of particular interest for understanding what drives SER practice. This points towards the need for more fieldwork that directly engages SER actors and would respond to the calls for more of such research to be carried out (see, for example, Adams, 2002; Deegan, 2002; Gray, 2002, 2004; Larrinaga-Gonzalez and Bebbington, 2001). This is not to say that fieldwork is the *only* viable means of researching the phenomenon, but one should recognise that “given the exceedingly complex nature of the business environment, there are inherent limits in the ability of positive empirical research to capture all the dimensions that influence [SER] decision making” (Roberts, 1992, p. 610). More investigations into SER can shed light on some of this complexity and, in bringing a critical perspective, simultaneously shed light on the emancipatory possibilities or otherwise of SER.

#### **4.5 Summary**

This chapter has reviewed the theoretical interpretations of SER and the empirical investigations into SER. Firstly, the different theories of SER were outlined, and the socio-political theories were explored in-depth. These were characterised as Bourgeois or Classical. Then the fieldwork investigations into SER of recent years were described. Finally, the implications of this review of the literature for the research study were discussed.

## **Chapter 5** **Pilot Study**

### **5.1 Introduction**

The fieldwork investigations into SER of recent years have yielded rich insights into why organisations report, and the processes that organisations go through in order to produce reports. These studies have highlighted the complexity that underlies SER motivations, and practice generally. In turn, they have often provided new theoretical perspectives on the SER phenomenon, showing where existing theories are underspecified in the process. Calls for more fieldwork into SER reflect this underdevelopment in the literature (see, for example, Adams, 2002; Deegan, 2002, 2004; Gray, 2002, 2004; Larrinaga-Gonzalez and Bebbington, 2001; O'Dwyer, 2003, 2005). Although there has been a growth in fieldwork in recent years, overall there is still a relative paucity of literature exploring the ways in which organisations talk about SER. Moreover, very few studies have focused on SER motivations specifically (although see Buhr, 2002; O'Dwyer, 2002, 2005; O'Donovan, 2002). Miles *et al* (2002) is the most comprehensive study into UK SER motivations. That work covers a lot of ground and reveals a plethora of different reasons for reporting. However, Miles *et al's* results are interpreted in a largely atheoretical fashion and a largely functionalist approach is taken, which emphasises breadth over depth. Arguably there is a need for a more in-depth investigation of SER motivations in the UK that is interpreted critically (see previous chapter).

In order to further investigate SER in the UK context, a pilot study was undertaken. There was an exploratory emphasis placed on this pilot study. Interviews with 11 SER actors were carried out, focusing loosely around an interview protocol. The intention of undertaking the interviews was to explore the articulations of SER practitioners as regards to why they were undertaking SER and the processes they went through in producing their SER. Although referred to now as the pilot study - and indeed the interviews and subsequent analysis certainly have functioned as a precursor to the main study – the *ultimate* purpose of this engagement was unclear at the time. A sense of abstract detachment from practice which inevitably arose out of a limited practical experience of the business world, combined with the fact that the researcher was researching SER for the first time, gave rise to the perceived need to 'get closer' to

the phenomena under study. The choice was therefore a highly personal one, and probably both rational and irrational at the same time. Nevertheless, in retrospect, following up this *perceived* necessity to engage practice did lead to a better personal understanding of SER and a better feeling for which avenues to pursue in the main study.

Following the interviews, the transcripts were read with loose reference to the topics on the interview protocol. This allowed for a broad appreciation of what the interviewees were saying and the way in which they described SER motivations and processes. However, the need for a more structured frame of reference with which to interpret the interviews became apparent, in order to situate the analysis within the SER literature. The pilot transcripts and analysis were therefore interrogated *ex post* using Neo-Gramscian discourse theory that, from the outset, seemed to resonate with the articulations of interviewees. The intermingling of the theory with the empirical work actually asked more questions of the data than it was able to clearly explain. These questions were then taken forward into the main study, providing a much clearer theoretical and methodical focus than that of the pilot study.

The chapter is arranged as follows. First of all the interview sample and the process of collecting the ‘data’ will be outlined. Then the interview protocol and the rationale behind the topics on the protocol will be explained. This protocol gave structure to what were carried out as loosely guided conversations (Llewellyn, 2001). The means of analysing the interview data will be set out in the section following the description of the data collection process. Although 11 interviews were carried out, only 7 of these related to large companies; the remainder were either SMEs or community-based organisations<sup>1</sup>. It was during the latter stage of the data analysis that Neo-Gramscian discourse theory first emerged into the project and this process of emergence will be described below.

Gramsci’s thought will be briefly introduced in section 5.4. In particular, Gramsci’s theory of hegemony will be referred to, pointing out the importance of consensual factors in maintaining power relations. Then, in section 5.5 the main tenets of the eco-

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<sup>1</sup> It was decided at this stage to focus the research onto large commercial entities and so the data analysis and subsequent Neo-Gramscian interpretation relates only to these 7 interviews.

modernism discourse will be described, followed by the Neo-Gramscian exegesis of how this discourse has been incorporated into corporate environmentalism. Essentially, eco-modernism, with its emphasis on win-win scenarios, has been successfully deployed by business to create an impression of congruence between business goals and environmental concerns. Indeed, such discourses of congruence are necessary for hegemony. With this backdrop, the pilot interview analysis is discussed in section 5.6. Strong parallels are drawn with interviewee articulations of a business case for SER and CSR and the win-win paradigm of thought. Furthermore, indications of a business desire to report on a voluntary basis support the notion that SER is intended to serve hegemonic ends. Section 5.7 discusses what this interpretation of the pilot study implies for the remainder of the research project. In particular, it is suggested that SER may have an ideological basis that is constructed through a discourse of congruence. A conclusion of the chapter is offered in section 5.8.

### **5.2 Data Collection**

The organisations interviewed were drawn from the ACCA Sustainability reporting award scheme. The ACCA awards cover social, environmental and sustainability reports. The awards and short-listed candidates are decided on by leading academics, practitioners and ‘opinion leaders’ in the field of SER. As such, the sample represents the ‘state of the art’ of stand-alone reports in each of the relevant reporting areas. Furthermore, these awards have been shown to influence practice (Miles *et al*, 2002) and so may be indicative of how SER may develop in the coming years.

Those organisations that had been at least shortlisted for an award for the 2002 scheme were considered. This included 47 organisations over all three categories of social, environmental and sustainability reporting. It was decided to interview organisations from each of the three categories, thus covering a fuller breadth of best practice SER. In total, letters were sent to 18 organisations requesting an interview with the individuals responsible for producing their organisation’s SER. The letters were addressed to both the chief executive and company director responsible for SER/CSR. The letters briefly outlined that the purpose of the research was to explore the motivations for SER and to talk about the process of reporting. The guarantee of anonymity was also mentioned in the letters.

11 responses were received within a fortnight<sup>2</sup>. These generally agreed to the interview although a couple of people desired more information about the research project. This was supplied by the researcher and the interviews were then arranged. The researcher did not follow up the organisations for which a response was not received, as the response rate was higher than expected. 9 of the 11 interviews were carried out at the premises of the organisations concerned, although one was conducted via telephone and another via video-link between Glasgow and London. The interviews were all carried out between July and October 2003. They were all taped and subsequently transcribed.

Seven large companies were interviewed; three SMEs; and one community based organisation. The actual people interviewed from each organisation varied, including Environment Managers (1), Communications Managers (2) and Directors (1), Corporate Responsibility Managers (2), a Social Accountability Manager (1), an Account Manager (1) and a Managing Director (1). In most cases only one person was interviewed from the organisation, although on two occasions two company representatives were interviewed simultaneously. All of the people interviewed either had ultimate responsibility for the report or were in charge of the day-to-day reporting process.

### 5.2.1 Interview Protocol

The interview protocol was based on that used by Adams (2002). Adams (2002) uncovered a series of “inner contextual factors” (p. 223) that influenced reporting within organisations. She classified these variables as *process variables* or *attitudes*. *Process variables* include the degree of formality by which reports are constructed; the departments that are involved in the preparation of reports; and the way in which, if at all, stakeholders are engaged as a part of the reporting process. *Attitudes* refer largely to the explicit reasons given for reporting *per se* as well as views on things

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<sup>2</sup> This unusually high response the researcher believes may be attributed to (predominately) two factors. Firstly, the researcher’s offer of providing feedback on the organisation’s reporting seemed to be significant for a few respondents. Secondly, the mention of the ACCA awards also seemed to arouse the interest of a few respondents, some of which seemed very eager to produce a report capable of winning an ACCA award, and at least one had an axe to grind with the ACCA awards scheme.

like reporting ‘bad news’. The reason for using Adams’s (2002) work as a basis for the pilot study was because of the breadth offered by her protocol. The areas covered in her protocol covered a range of issues relating to reporting motivations and the process of reporting. It was deemed that a similar protocol would give the pilot study a frame whereby the researcher could understand something of the way in which company managers view and talk about SER.

However, the intention was not to directly replicate Adams’s (2002) study. As such, the protocol used by Adams (2002) was adapted slightly for the pilot study. Whereas Adams (2002) asked questions relating to both broad and specific reporting issues and succeeded in identifying areas that may be worthy of further research, the pilot study intended to go into more depth on a narrower range of issues. The focus for the pilot study was to be on the broader motivations of SER rather than the detail of what costs are associated with it or what the links are between the systems for collecting the environmental and economic data. Adams’s (2002) protocol was therefore slimmed down slightly, providing a loose framework within which to explore reporting motivations. Although the interview protocol below may still be considered quite wide-ranging, all of the areas on the protocol were related to reporting motivations. This will be described for each area of the interview protocol below. The actual topics covered were as follows:

1. Reporting Process
2. Reasons for Reporting
3. Perceived Effects of Reporting
4. Issues not reported on
5. Reporting in the Future
6. Reporting Audiences
7. The influence of the ACCA awards
8. Views on Reporting Regulation

1. Reporting Process

The reporting process refers to a wide range of issues: which individuals, departments, outside consultancies etc. are were involved in preparing the report; the amount of time spent preparing the report; stakeholder engagement and how this had an influence on the reporting process; the extent to which other organisations’ reports are looked at; views on reporting ‘bad news’; the influence of reporting guidelines; and verification. These are all potentially huge areas to investigate themselves. For

example, the extent to which stakeholder engagement reflects a pedagogic learning process or whether it can be thought of as a one-way instrumental means of conferring legitimacy on an organisation is something that could be the focus of a research project in its own right (see Thomson and Bebbington, 2005). Alternatively, looking at how individuals within organisations conceive of verification practices may shed more light on Ball *et al's* (2000) conclusion that verification statements reflect more consultation practices than independent audits.

### 2. Reporting Motivations

The reasons for reporting were generally discussed in slightly more depth than the various issues under the process heading as the research project was focused primarily on reporting motivations. In fact, at this stage all other sections on the interview protocol were viewed as ways of potentially providing contextual information for motivations. This was in light of the fact that previous research had shown that reporting motivations are complex (see, for example, O'Dwyer, 2002, 2003 and Gray *et al*, 1995c), multifarious (Bansal and Roth, 2000) and vary across firms (Buhr, 2002). Thus, the rationale was that exploring the contexts of reporting within firms could potentially lead to fruitful insights regarding reporting motivations.

### 3. Perceived Effects of Reporting

The perceived effects of reporting were considered to be an interesting area to discuss because these too would reveal motivations, or at least say something of how motivations may alter for future reporting cycles. Furthermore, Gray *et al* (1995c) suggest that reporting may be instrumental in bringing about, or be symptomatic of, organisational change, albeit on a merely surface or synthetic level. It is asserted that organisations are in fact “change-resistant” (*ibid.*). As part of a change-resistance strategy, reporting may be a means of altering stakeholder perceptions; effectively deflecting or subduing any change-enforcing “jolts” to the organisation. The extent to which interviewees perceive reporting as a vehicle for organisational change, and what kind of change that may be, is therefore something that also may say something about reporting motivations. Furthermore, Miles *et al* (2002) makes the distinction between the initial decision to produce a SER, and the reasons for continuing to report. In that study, perceived business benefits from reporting were cited as a reason for the latter.

#### 4. Issues Not Reported on.

This is an area that few studies have considered in detail (although see Buhr, 2001, Miles *et al*, 2002 and O'Dwyer, 2002). Asking organisations why they never reported on (say) human rights issues or why they have not undertaken an overall ecological impact analysis may offer new insights into the rationale behind reporting, as well as understanding in starker fashion just how organisations go about identifying the issues that they do decide to report on and why. O'Donovan (2002) showed in particular how decisions *not* to disclose certain information were related to legitimacy concerns.

#### 5. Reporting in the Future

Views expressed regarding reporting in the future and the general satisfaction or otherwise with the current state of reporting may reveal attitudes towards current reporting practice that can influence motivations. At this point the researcher also attempted to elicit further whether the interviewee held views that were not necessarily congruent with their organisational structures. The interviewees were asked how they *personally* would like to see their organisation reporting in the future.

#### 6. Reporting Audiences

Who is in mind when preparing the report? This may be important in understanding what the motivations are for reporting. These target audiences may be also be different from who actually reads the reports. Previous research has suggested that SERs are directed at the more powerful economic stakeholders (see Neu *et al*, 1998 and Milne and Patten, 2002) although civil society groups have also been shown to read the reports (Tilt, 1994).

#### 7. The influence of the ACCA awards

It may be worth exploring the influence that the ACCA awards have themselves in influencing reporting practice. Miles *et al* (2002) suggest that the awards may not influence decisions to report *per se*, but they may influence the way in which people shape their reporting once the decision to report has been made. In contrast to this, one of the interviewees did state that the possibility of winning an ACCA award was a key motivation for them initiating reporting.

## 8. Views on Reporting Regulation

It can be suggested from a Political Economy Perspective that SER might be seen as a means of pre-empting attempts at mandatory SER. Given that the sample may be considered best practice in the field, anti-regulatory views *may* equate with a (unstated) motivation to influence the regulatory process.

### 5.2.2 Conduct of the Interviews

Prior to the interview, the company's previous two SERs, where available, were read in order to acquaint the researcher with the company and its approach to social and environmental issues generally. (The discussions with interviewees, however, centred on the company's latest SER). Also, prior to the interview an attempt was made to interrogate the SER in terms of what it said, and also what it did not say. Gray (2000) outlines a complete reporting model that includes discussion of how to integrate stakeholder concerns, undertake a comprehensive ecological impact analysis and incorporate fundamental social issues. With this 'template' in mind, the SERs were read with the explicit aim of looking for any gaps that could supplement any discussion around point number 4 on the protocol: *issues not reported on*.

The 8-point interview protocol was supplied to the interviewees some days prior to the interview and used as the basis around which to structure the interviews. The interviews themselves last between 45 minutes and an hour, with the interviewees being informed prior to commencement that an hour would be sufficient. Following a request for permission, the interviews were all taped and subsequently transcribed. The interviewees were also informed that the protocol needn't be followed rigidly and that the main point of the interview was in order to hear *their* story about the reporting process and why their organisations were undertaking SER. The intention was to discuss a range of theoretically interesting issues and, on the basis of subsequent analysis, highlight areas worthy of further investigation. In this sense, the conversations drifted away from the interview protocol at times, and areas seemingly of interest were pursued by the researcher. However, the interview protocol did serve to structure the conversations loosely. Each topic on the interview protocol was discussed in some fashion, although the extent to which each interviewee talked about any particular issue varied.

### **5.3 Data Analysis**

The interview tapes were all transcribed by the researcher and read through several times. A separate memo book was kept open at all times during both the process of transcription and subsequent reading of the transcripts. In this book were recorded any striking insights or relations/contradictions between the data. These written reflections were used in order to make sense of the data throughout the course of data collection phase, and were themselves analysed and added to during the final data analysis phase. An interpretive reading of the transcripts was undertaken. This reading was largely inductive, although the fundamental thread to be considered was SER motivations. The other issues that were covered during the interviews ensured that these motivations were not viewed in isolation. Each interview script itself was considered as a ‘story’ to be viewed in its own right. At this stage, it was decided to focus the research onto corporate entities<sup>3</sup> as it is large, powerful commercial organisations with which the social accounting project generally takes issue. Therefore, the data analysis process referred to here (and the theoretical interpretation presented in the following chapter) excludes the SMEs and the community organisation that were interviewed, although speaking to these people has undoubtedly also been valuable in framing the remainder of the research project.

Given the exploratory emphasis at this stage, these stories were initially read without consideration of any formal theory other than the background prior theorisation that was held by the researcher. This relatively ‘unattached’ analysis was in order to get a sense for what the interviewees were saying. However, the need to focus more explicitly on what was within the data became apparent. The stories were therefore analysed and interpreted in conjunction with Neo-Gramscian discourse theory (Levy and Egan, 2003). The discourse theory and the insights that it offered ‘fitted’ broadly from the outset with the data and allowed various themes to be drawn out (see the following chapter for a discussion of these). As the transcripts were read and re-read

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<sup>3</sup> This does not include only public limited companies. There are numerous large commercial organisations in the UK that are either mutuals, co-operatives or owned by the government. Although the ‘corporate form’ is a key factor in making sense of corporate behaviour, many of these other large commercial organisations operate in many respects in a similar fashion to the corporate sector, with a similar focus on profit, growth and efficiency. These large commercial entities are therefore considered here as well as plcs, although it is recognised that they do not directly experience the same institutional and market pressures.

the Neo-Gramscian interpretation became tighter, although it always remained tentative. The researcher bore in mind at this point that the theory should essentially come from the data, not vice versa (Ahrens and Dent, 1998). Therefore, the theory was applied only loosely to the research data so as not to produce an overly instrumental interpretation. Certain themes were elucidated by the Neo-Gramscian theory whilst other potential insights did not seem to play a significant part in the overall story. Undoubtedly, different elements of the story would have been emphasised with a different theoretical lens. It was recognised at this stage that the understanding we gain from research can only ever be partial (Gadamer, 1989). Theory serves to submerge, just as much as it illuminates, empirical data.

A more thorough analysis of the data would undoubtedly have allowed for a ‘tighter’ theoretical interpretation. Indeed, for the main study such an analysis has been carried out. However, the objective of the pilot study was to generate a broad “skeletal theory” (Laughlin, 1995) that could be interrogated and fleshed out through further research. Therefore, the need for rigorously attestable insights was less important at this stage than the generation of a broad understanding of what may have been happening in SER practice. Such a broad understanding would, inevitably, be subject to change throughout the remainder of the research project.

This is not to say that measures were not taken to increase the rigour of the analysis in any case. The process of analysis was both iterative and reflexive, with the insights generated being constantly questioned and, if need be, revised as various cycles of the analysis were undertaken. For example, as each transcript was read the possibility that the data would not fit the Neo-Gramscian theory was kept constantly in mind. Indeed, the discourse theory never seemed to offer more than a broad tentative explanation of SER practice. Nevertheless, the theory did seem to say something about the data, or at least ask questions of it that would have to be answered in the remainder of the study.

As will be evident from the discussion below, the theoretical interpretation of the pilot study data served to raise a number of questions related to why organisations report. In particular, the Neo-Gramscian analysis of the pilot interviews suggests that corporate managers, in focusing overwhelmingly on the business case for SER, display an adherence to win-win thinking that focuses on congruence between

business goals and socio-environmental concerns. This raises the possibility that SER, which presents coherence rather than conflict (Thomson and Bebbington, 2005) in business's conquest for hegemony, has an ideological basis. These issues, raised by the interpretation of the pilot study, have been explored in greater depth throughout the course of the main study.

#### **5.4 Gramsci's Theory of Hegemony**

Gramsci's thought and where it sits within the Marxist tradition will be explored in more depth in chapter 11, which presents a much more focused and in-depth theoretical interpretation of the main study. The main focus for this chapter is in understanding broadly Gramsci's theory of hegemony and the role that business discourse plays in maintaining and establishing particular hegemonic formations. Gramsci points toward the significant roles that culture and ideology play in producing and reproducing particular societal arrangements. Whereas a Classical Marxist position emphasises the role of *coercion* in bringing stability to society, Gramsci emphasises also the crucial importance of *consent*:

“The supremacy of a social group manifests itself in two ways, as ‘domination’ and as ‘intellectual and moral leadership’...A social group can, and indeed must, already exercise ‘leadership’ before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds it firmly in its grasp, it must continue to ‘lead’ as well (Gramsci, in Sassoon, 1988, p.249).

Hegemonic formations were referred to by Gramsci as Historic Blocs. Levy and Newell (2002) note that there are two meanings of this historic bloc: firstly, it refers to the alliance of social groupings that make up the hegemonic formation; secondly, it refers to the specific alignment of material, organisational and discursive formations which stabilise and reproduce relations of production and meaning. The first presupposes the second and Levy (1997) and Levy and Egan (2003) argue that corporate strategies similarly co-ordinate material, organisational and discursive resources as a means of securing consent for their activities. As Levy and Egan (2003) note:

“Large firms are generally unable to dominate a field purely by virtue of brute economic power or governmental connections; rather, control over a field rests on consent from a broader group of actors. Field stabilisation,

or hegemony, depends on an alignment of forces capable of reproducing the field” (p. 810)

Indeed, Levy (1997) talks about a hegemonic coalition of business, government, professional and intellectual elites rather than simply a hegemonic group. In aligning these forces it is essential to have some discursive or ideological basis around which to rally. It should be borne in mind that discursive strategies rarely exist in isolation from material strategies. Indeed, the latter often underpin the former in the form of financial resources. With this strategic and dynamic notion of power in mind, it is to notions of discourse and ideology that we now turn in more detail.

### **5.5 The Discourse of Eco-Modernism**

Eco-modernism is a paradigm of thought that emanates from a whole history of linear thinking. At its broadest, it states that further techno-scientific development and economic growth is required to solve the ecological crisis and improve the lives of the earth’s inhabitants. An environmental dimension is added to the development path without actually altering the course of that path (Welford, 1997). The focus is on win-win situations, where businesses achieve a competitive advantage or direct financial benefit as a result of some environmental improvement on their part. It is important to remember that eco-modernism is only one of a range of possible environmental or developmental discourses. Nevertheless “the dominant ideology of corporate environmentalism *is* eco-modernism” (Welford, 1997, emphasis added). Other possible ways of viewing the world and the environment were possible, but business adopted and promulgated eco-modernism.

The attraction of this discourse, rather than stronger environmentalist notions that question the environmental and social fall-outs of economic growth, is obvious. Eco-modernism does not challenge but rather, can be used to promote the pillars of free (sic) trade, economic growth and technological and scientific domination. Indeed, business is implicitly accorded primary status as the agent of change in this model (Rossi *et al*, 2000). Corporations are seen as the only organisations with “the resources, technology, the global reach and, ultimately, the motivation to achieve sustainability” (Hart, 1997, p.67). However, the eco-modernism has been subject to criticism from more eco-centric viewpoints. Eco-modernism is anthropocentric;

assumes we can easily determine the carrying capacity of local ecosystems; rests on the unexamined, traditional world-view of progressive, secular materialism; and assumes that current institutions are benign (Worster, 1993). In promoting further growth, consumption and shareholder wealth maximisation, it is argued that the eco-modernism discourse is likely to move us in exactly the opposite direction of sustainability (see also Achterhuis, 1993; Sachs, 1993). Although it may bring about marginal improvements, it also actively prevents more radical debates about ways to a sustainable future (Levy, 1997; Levy and Egan 2003; Neu and Everett, 2000; Welford, 1997).

What is of interest, in addition to *why*, is *how* business came to adopt this discourse. Looking at how the eco-modernism discourse established itself below, it will be argued that such a discourse, when combined with overlapping material strategies, is an important element in maintaining and extending the hegemony of business. Welford (1997) argues that the traditional industry response was to ignore the ‘green movement’. However, at some point industry engaged with environmentalism and redefined it (see also Beder, 2001). It ‘hijacked’ more traditional environmental notions and redefined them in a way that spiritually impoverishes environmentalism and justifies economic growth:

“(I)n some ways it is a conjuring trick or a juggling act where industry espouses the need for environmental action but never really tells the audience what is hiding back stage” (Welford, 1997, p.28)

Levy and Egan (2003) analyse how and why the eco-modernism discourse first entered the boardroom. They do so, usefully, from a Neo-Gramscian perspective. Their study allows us to draw out more elements of Gramsci’s theory of hegemony, and the role of business discourse therein. Having outlined Levy and Egan’s (2003) Neo-Gramscian analysis of the eco-modernism discourse, the insights derived from that study will then be related to the interview analysis from the pilot study. Essentially, parallels are drawn between the win-win basis of eco-modernism and the interviewee articulations of a business case for SER.

### 5.5.1 Corporate Political Strategy: The Deployment of Eco-Modernism

Levy and Egan (2003) analyse corporate strategy during the climate change debate of the 1990s, viewing corporate strategies as Gramscian ‘wars of position’. A ‘War of Position’ constitutes a long-term strategy aimed at securing hegemony “co-ordinated across multiple bases of power, to gain influence in the cultural institutions of civil society, develop organisational capacity, and to win new allies” (Levy and Egan, 2003). The military metaphor is supposed to evoke the image of trench warfare (Sassoon, 1988). This strategy can be contrasted with the other common form of strategy evinced in social conflicts. The ‘Passive Revolution’ refers to a process of reformist change from above, entailing concessions from weakened hegemonic groups in an effort to preserve aspects of the social structure.

Climate Change may be considered a threat to the current historic bloc, which ascribes a relatively autonomous role to business. The possibility that greenhouse gas emissions are changing the world’s climate has massive market transforming potential. Emissions controls would threaten not only oil and coal companies, but also the industries dependent on those fuels. As Levy (2005) notes, there is “little assurance that incumbent companies would be the winners in future markets for low emissions products” (p.77). New technologies to address greenhouse gases represent radical innovations that are far outwith the core expertise of incumbent firms. For example, renewables represent a radical threat to oil companies because their core expertise is in geology and hydrocarbon refining rather than in silicon for solar energy or wind turbines (Levy and Newell, 2000).

Climate change therefore potentially undermines the stability of the current historic bloc. It threatens not only the economic realm but, in implicating industry in planetary destruction, also threatens the ideological bases of corporate legitimacy and autonomy. This explains why the oil and automobile industries undertook a ‘war of position’ against the possibility of emissions controls during the 1990s. The Global Climate Coalition (GCC) was formed in 1990, representing forty large companies who used or produced fossil fuels. With the help of the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC), the GCC directly challenged the science of climate change. They did this by: producing literature and other media against it; forming associations with certain civil

society groups; and financing election campaigns. From a Gramscian perspective, there was co-ordination of economic, organisational and discursive strategies.

However, this direct assault was not successful in achieving consent. Although support was secured in US Congress, pressure continued to come from both civil society and other government agencies. There was also a rift between the oil and automobile industries. Towards the late 1990s, some European companies such as BP (see also Le Menestrel *et al*, 2002) started to invest substantial sums in low emission technologies. This constituted an admission by some elements of industry of their complicity in climate change. In turn, this represented a contradiction in the historic bloc. By 1999 a sea change in industry's stance on climate change was evident. This was in the absence of any significant technological breakthroughs and in the context of the US government distancing itself from international agreements (Levy 2005). Levy and Egan (2003) suggest that this change in posture defies simple explanation, but may be attributed to a dynamic series of miscalculations and interactions that opened up tensions and contradictions in the historical bloc.

For example, the fossil fuel industry tried to undermine the credibility of the Intergovernmental Panel on Climate Change (IPCC) by accusing the lead authors of secretly altering their second assessment report. However, the industry underestimated the degree of autonomy and legitimacy that the IPCC had achieved internationally, and the strategy backfired (see also Levy and Egan, 1998). This coincided with the publication of a number of reports by environmental groups in both the US and Europe highlighting industry financial support for climate sceptics. Public credibility in industry arguments was low and the media started to report climate change in the context of scientific consensus. Furthermore, there was a change in economic perceptions at this time, with industry realising that renewables were not an immediate threat due to lack of an infrastructure. In this context, industry changed its strategy from directly challenging the science of climate change toward highlighting the high costs of mitigation.

Essentially, industry was forced to change its strategy from a 'War of Position' to a 'Passive Revolution', making certain concessions in exchange for the continuance of corporate autonomy. It was at this time that the discourse of eco-modernism came to

the fore of business rhetoric. The contradictions within industry itself and the discord between business and civil society created the need for a discursive framework that “actively constitutes perceptions of mutual interests” (Levy and Egan, 2003). Eco-modernism, with its overwhelming focus on win-win situations, is one such framework. Business had to create the impression that its interests were aligned with civil society and environmental interests. This discourse was successful in achieving the consent that it desired for its fundamental aims. The win-win paradigm was endorsed by various NGOs, Governments and academia alike. The final Kyoto protocol also reflects eco-modernist thinking with its heavy focus on market mechanisms such as emissions trading. As Levy and Egan (2003) note, “the win-win paradigm is a key discursive foundation for the emerging climate compromise and a more stable historical bloc” (Levy and Egan, 2003, p.821).

Whether or not this is a victory for civil society in some fashion is not clear. In adhering to the discourse, business was forced to make second order concessions (admitting climate change and accepting some degree of emissions reductions) but only as a means of maintaining hegemonic status for markets and industry. In making second order concessions, such strategies deflect more radical challenges to the hegemonic coalition. Indeed, corporate environmental strategies have been described as driven by political rather than environmental sustainability (Levy, 1997). The discourse of eco-modernism inherent in Environmental Management displaces more substantive consideration of how to solve the ecological crisis with a business-centric focus on activities that yield a competitive advantage, cost savings or strategic benefits (see also Prasad and Elmes, 2005). However, the impression given by such strategies is that they are somehow ameliorating the ecological crisis, even though this is not their primary focus. This may be construed as an ideological illusion that justifies corporate autonomy.

### **5.6 Analysis: The Business Case for SER and the win-win Paradigm**

As mentioned in the previous chapter, the pilot study had a strong exploratory emphasis. However, the main focus was on ascertaining motivations for SER. A specific point-by-point analysis around the interview protocol was not carried out. Rather, the themes that emerged as more salient vis-à-vis the Neo-Gramscian theory are presented below. This has allowed a “skeletal theory” (Laughlin, 1995) to be

formed regarding SER motivations, and raised a number of issues that were pursued in the main study.

#### 5.6.1 SER/CSR Motivations

From the outset many of the interviewees stated that they did not make clear distinctions between SER and CSR and that the former could generally only be understood in the context of the latter.<sup>4</sup> The discussions therefore invariably developed around SER and CSR together. The most salient theme identified from the interview analysis was that the interviewees were all articulating business reasons for their approach to SER and CSR. For example, some of the interviewees described the importance of making sure that financial outlays were controlled and tied into business benefits:

*So it's not like we have to have a cost-benefit analysis for each decision that we make and of course a lot of the stuff that we do does not generate any revenue or anything... So you have to determine what is realistic and that is in large part determined by budget, resources and human resources as well.* (Corporate Social Responsibility Manager 1)

*"If you expect your investment in a social and environmental reporting system to pay back in 12 months, a year whatever it is, I don't necessarily think that happens. I think it can on occasion, but I think it's a much more organic process of actually gaining the benefits. You know, you spend £50,000 on a system to record your employee demographics and then 2 years later that has a direct payback on your bottom line."* (Corporate Social Responsibility Manager 2)

One interviewee in particular, who happened to be the only director that was interviewed for the pilot study, was terrifically clear about what was driving both their SER and CSR:

*"I think that we start this stuff from a commercial point of view: if it doesn't make business sense, then you are not going to do it. You have to have a bottom line benefit, otherwise you have no compelling argument for your shareholders, you have no compelling argument within the business. If it doesn't deliver tangible reputational benefits, tangible business benefits, then it is impossible to justify. We are not a registered charity."* (Corporate Communications Director 1)

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<sup>4</sup> Levy and Egan (2003) do emphasise that material and discursive strategies overlap. The conflation of SER and CSR was something that was found also in the main body of the study and a discussion of the significance of this will appear in Chapter 11.

There was a striking preoccupation with business benefits, or with the “business case” as some interviewees described the harnessing of SER and CSR strategies to business concerns. In line with prior literature (O’Dwyer, 2003), the researcher expected there to also be motivations related to SER and CSR articulated in terms of their socio-environmental worthiness. However, the interviewees did not put forward any primarily ‘responsible’ arguments for SER or CSR strategies. Rather, ‘responsible’ behaviour was blended with business case arguments. That is, although the business case seemed to dominate motivations for SER and CSR, this business case was framed within the context of pluralistic or win-win scenarios:

*“The model for sustainable business nowadays is that it is no longer good enough to just look after the interests of your shareholders. Or rather, put another way, if you are looking after the long term interests of your shareholders then you also need to look after the interests of your other stakeholder groups.”* (Corporate Social Responsibility Manager 5).

*“We have shown that our CSR activities contribute directly to levels of customer satisfaction to the extent that if we stopped doing them, levels of customer satisfaction would fall and there is a high financial correlation between customer satisfaction and sales.”* (Corporate Social Responsibility Manager 6)

Whereas O’Dwyer (2003) found distinct and competing rationales initially, the interviewees in the pilot study blended the business case with the socio-environmental arguments immediately. With persistent probing O’Dwyer (2003) found that his interviewees held a more restricted definition of CSR commensurate with corporate self-interest. Although conceptions of CSR were not specifically explored during the pilot study, the interviewees similarly described only those scenarios that were in the corporate interest.

### 5.6.2 Audiences

Who the audiences were for the report may also be worthy of mention. Levy and Egan (2003) showed that the discursive strategies employed by the oil and automobile industries were not only a means of convincing wider society but were to create a consensus amongst business itself. The extent to which SER is a discursive strategy may be explored by considering to whom SER is directed. The pilot study revealed that reports were targeted at what a few interviewees termed ‘opinion formers’:

*“Well the key target audiences are: investors; the CSR community; government and policy makers; and then to a lesser extent we would hope that some suppliers, customers and employees would read it; and then to an even lesser extent we would hope that ... NGOs would read it as well. But our key target audience are the people who work on CSR on a professional basis, whether that be a government person or an investment person or whatever.” (Corporate Social Responsibility Manager 1)*

*“I think the readers to a certain extent are what we have called opinion formers. So these would be some of the commentators; they are the government, MPs, that kind of area as well; our counterparts in other organisations; the standard setters, people who are looking things like GRI and AA1000; people like yourself, academics. There is no sense that this document is written for consumption by the general public unless people are very interested in a particular area. I think we have always set the standard of this quite high, quite academic, quite detailed.” (Corporate Social Responsibility Manager, 4)*

It was not clear that the audience for the SERs were mostly the financial stakeholders, as prior research has suggested (Neu *et al*, 1998; Milne and Patten, 2002). It seemed from the pilot study that business was targeting both itself (“the CSR community” and “counterparts in other organisations”) and various stakeholder groups. Who the reports are directed at is explored in more detail in the main study. From the pilot study it may be conjectured that SER, as the communication of a win-win reality, is the discursive element of a strategy to appease wider stakeholders whilst simultaneously creating a consensus discourse amongst business itself.

### 5.6.3 Voluntary Reporting

Furthermore, not only is a mutuality of interests conveyed but business presents itself as the *only* mechanism for achieving this. In doing so *moral and intellectual leadership* is exerted. The discussion around voluntary vs. mandatory reporting conveyed this.

*“We'd be deeply unhappy to be in any regulated environment on any of this stuff and we have said this to the minister responsible for social responsibility umpteen times. Not really because of the impact that it would have on us, I think we'd shine because of the work we have done in the area, but more specifically because of the impact it would have in discouraging SMEs from doing anything in this area at all...I think it is something in the order of 21-25 of the FTSE 100 companies currently report a single social report...that is a growing number, there are an increasing number of FTSE companies that are reporting in this way, and that is to be encouraged. And it is happening because it is not mandatory. I think if it was made mandatory you would see a fall off in the number of people involved.” (Corporate Communications Director 1)*

Others were keen to see more widespread reporting but emphasised that business should be allowed flexibility:

*“We would not be hugely supportive of mandatory, not so much because it is mandatory but because we don't have the confidence in a 'one size fits all' approach applied by government. We feel quite strongly that government officials are unlikely to come up with something that is going to help. But we do think that more and more companies should be obliged to report, so in that sense we are not opposed to it.”*  
(Corporate Social Responsibility Manager 1)

The interviewees, in espousing standard business anti-regulatory views, are keen to remain free to construct their own discourse. Following from Levy and Egan's (2003) Neo-Gramscian analysis, mandatory reporting would threaten the ability for business to exert *moral and intellectual leadership*. The imposition of guidelines requiring the calculation of ecological footprints and rigorous, meaningful stakeholder engagement would undoubtedly show conflicts between commercial objectives and socio-environmental criteria.

## **5.7 Discussion**

In talking overwhelmingly about the 'business case' for SER and CSR, the interviewees are exhibiting an adherence to the win-win paradigm where SER and CSR are undertaken to the extent that they bolster the commercial health of the company. Moreover, one must also consider the type of SER and CSR that they are talking about, i.e. what relationship does customer satisfaction, for example, have with wider notions of CSR or Sustainability. The work of Bebbington (2001), Gray and Bebbington (2000) and O'Dwyer (2003) permits a "skeletal theory" (Laughlin, 1995) to be formed at this point. Their work suggests that the commercial benefits described by the interviewees above may be reaped from a significantly restricted understanding of what environmental stewardship, social responsibility and sustainability actually entail. Beyond the exploitation of win-win scenarios, however the social and environmental 'benefits' are defined, the reality of large-scale corporate activity in the current market system is more likely to contain a heavy dose of win-lose, in business's favour. Win-win scenarios are only viable up to a point (see Walley and Whitehead, 1994).

Nevertheless, the primary frame of reference for corporate approaches to SER and CSR may be the win-win scenarios. One could reasonably presume that lose-win scenarios, where organisations undertake socio-environmental initiatives without a perceived business benefit, fail to feature on the corporate radar. Indeed, the corporate desire to stay within business bounds has been noted before by Owen *et al* (2001), who are somewhat critical of the very notion of a business case for SER:

“The fundamental flaw in exclusively promoting the ‘business case’ for [SER] lies in a failure to fully recognize that stakeholder conflict, rather than harmony, permeates much economic activity. Equally, there is a refusal to acknowledge that such conflict is invariably resolved in favour of shareholders as a powerful combination of external financial hegemony and internal bureaucratic control conspire to prevent organizations from being socially responsible in anything but an instrumental sense” (p.276).

This focus on the business case and the seeming need/desire to stay within the win-win paradigm may explain why reporting fails to live up to the accountability ideal outlined by Gray (2000). Cherry picking (Gray and Milne, 2002), ignoring fundamental issues pertaining to Sustainability and CSR (Adams, 2004 and Kuasirkun and Sherer, 2004) and the inclusion of trivial bad news as a distraction from actual performance (Hammond and Miles, 2004) arguably combine to show some sort of win-win scenario. Full accountability would essentially show win-lose and illuminate the social and environmental ills that arise from the achievement of commercial goals. However, if organisations only focus on win-win at the material level of their practices, then the reflection of those practices through SER is similarly going to depict a grand win-win scenario.

Moreover, the Neo-Gramscian framework shows that in order to maintain or extend hegemony, business must draw upon “discursive frameworks that actively constitute perceptions of mutual interest” (Levy and Egan, 2003, p.806). As argued above, the win-win ideology, of which ecological modernisation is a pertinent example, is clearly one such discursive framework. Win-win thinking draws attention to the mutuality of business and extra-business interests. In fact, the win-win ideology, whether in the form of ecological modernisation or some other discourse, encourages the dissolution of the very idea that (say) environmental stewardship and social responsibility are incommensurate with business interests. There is no fundamental

conflict between commercial and socio-environmental criteria in this paradigm of thought.

What is being suggested here is that business, because of its legal mandate and the role of financial markets, is necessarily restricted to a focus on win-win scenarios. This restriction is something that should be exposed and critiqued through SER. If business cannot deliver social responsibility beyond the instrumental, then it should tell us so. Given the seemingly restricted nature of win-win scenarios from a socio-environmental viewpoint, SER should therefore show the win-loses. In other words, the market failures. However, the Neo-Gramscian framework suggests that business, as a hegemonic group, must strive to discursively align the interests of various stakeholders to its own concerns of profit and growth. Fuller accountability (as outlined variously by Gray, 2000; Gray and Milne, 2002, 2004; and Thomson and Bebbington, 2005) would essentially undermine the ideological basis for corporate autonomy. Most likely, fuller accountability would constitute perceptions of *mutually exclusive* interests and undermine the ability of business to exert moral and intellectual leadership. For Gramsci, hegemony entails

“not only a unison of economic and political aims, but also intellectual and moral unity...the development and expansion of the dominant group are conceived of, and presented, as being the motor force of a universal expansion...In other words, the dominant group is coordinated concretely with the general interests of the subordinate groups” (Gramsci, in Levy and Egan, 2003, p.806).

The likelihood of business undermining its privileged position by exposing substantially the win-lose scenarios seems remote when the corporation's legal mandate and wider institutional arrangements are considered. What the pilot study has raised is the possibility that the image projected by SER has an ideological basis. Whether or not interviewees perceived there to be fundamental conflicts between business goals and socio-environmental criteria was not obvious from the data analysis. However, this issue was pursued throughout what has now come to be called the main study. In particular, whether or not those who construct SER perceive of win-lose scenarios, or an overall win-lose relationship between business and society and/or the environment seems to be of interest. This exploration of managerial perceptions of conflict will be framed within the main issue of why organisations choose to undertake SER. Indeed, understanding the former may say a lot about the

latter. Moreover, exploring managerial perceptions in this way may reveal something of the practical and ideological impediments to fuller accountability.

If we understand in more detail how important any such ideological basis is in shaping SER, then we may also learn something of how to overcome the obstacles that stand in the way of complete reporting:

“Ideologies are historical facts which must be combated and their nature as instruments of domination revealed...in order to make the governed intellectually independent of the governing” (Gramsci, 1988, p.196).

### **5.8 Summary**

This chapter has outlined the way in which the pilot study was carried out, what it sought to achieve, and what the analysis of the pilot data implies for the main study. In particular, the background to the pilot study included the perceived need to get closer to the phenomenon under study and further investigate the how and the why of SER practice. Although the pilot study may be considered largely exploratory, focus was provided by drawing from Adams’s (2002) broad investigation of “inner contextual factors” (p.222) within reporting organisations. The intention of drawing on Adams (2002) in this way was in order to direct interviewee conversations into relevant areas, and from there to identify issues worthy of further empirical and theoretical investigation. These issues deemed worthy of further investigation were identified in the course of a theoretical interpretation of the interviewee data.

This Neo-Gramscian interpretation of the pilot interview data raised a number of issues that have been important for framing the main study. In particular, the Neo-Gramscian theory highlights the importance of corporate discursive strategy in creating an image of congruence between the goals of business and the goals of other groups. It was argued that such discursive frameworks play an important part in the formation and entrenchment of historic blocs. Eco-modernism was presented as one particular discourse that has served such a hegemonic function. This discourse focuses almost exclusively on win-win scenarios, where commercial goals are satisfied by the achievement of some social or environmental objective. The interviewees focused overwhelmingly on the ‘business case’ for SER and CSR. That is, they talk about the business benefits that can be realised through managing and accounting for social and

environmental issues. In doing so, it was argued that they displayed an adherence to the win-win paradigm, where business and socio-environmental interests are conflated. The question of whether SER has an ideological basis was then raised.

## **Chapter 6**

### **Research Design and Methods**

#### **6.1 Introduction**

The thesis is concerned with exploring the motivations behind SER within UK organisations. The pilot study indicated that SER and CSR may be driven by a ‘business case’, that is, SER and CSR appear to be dominated by commercial concerns. Given that much SER may be accused of ignoring fundamental socio-environmental issues (Adams, 2004; Kirkusnan and Sherer, 2004) and cherry picking good news (Gray and Milne, 2002), one could argue that SER itself does not show that the commercial dominates socio-environmental criteria in business practice but, rather, that the commercial is in harmony with the socio-environmental. Thus, the impression projected by SER is that the planet and the lives of its inhabitants are safe in the hands of business (see also Milne *et al*, 2005). This can be contrasted with a more emancipatory SER that would expose the conflicts as well as the congruences inherent in commercial activity (see, for example, Cooper *et al*, 2005; Gallhofer and Haslam, 1997b; Gray, 2000; Gray and Bebbington, 2001; Gray and Milne, 2002, 2002; Lehman, 2001; Thomson and Bebbington, 2005; Tinker *et al*, 1991).

The thesis seeks to investigate why and how this projection of congruence arises by exploring directly the motivations for SER and CSR, and whether or not the individuals who articulate these motivations perceive there to be conflicts and/or imbalances between commercial and socio-environmental criteria. This exploration has been undertaken to some extent by O’Dwyer (2003) who looked at how commercial objectives dominate socio-environmental criteria as regards to CSR. However, the thesis moves beyond his study in considering more explicitly what the dominance of the business case means for SER. The thesis will do so by, firstly, exploring the extent to which a business case may be thought of as the primary rationale for SER, as this has by no means been established beyond doubt (although see Owen *et al*, 2001). Further to this, it will also be explored whether or not individuals perceive any such business case dominance to fundamentally undermine their organisation’s ability to be responsible. The prevalence of business reasons arguably submerges socio-environmental criteria. However, a belief in the win-win paradigm would dissolve any notion of conflict between business objectives and socio-environmental criteria. In turn, evidence of such a paradigmatic attachment may explain the partial and incomplete nature of reporting. In other words, a belief held by SER managers that business is good for society would perhaps explain why SER projects this image.

Exploring these issues in more depth requires further engagement with corporate actors, exploring their perceptions and rationalisations of SER motivations and business's relationship with society. This chapter will describe the rationale for such an approach, as well as describing how the main study was carried out. Firstly, the chapter will consider the appropriateness of qualitative research in enhancing understanding of SER motivations, focusing mostly on how qualitative<sup>1</sup> interviews, as conversations, are appropriate means for understanding the world. The way in which the qualitative interviews were carried out during the main study will also be described. Section 6.3 will outline the design of the interview protocol, showing how this has been informed by the Neo-Gramscian theory described in the previous chapter. Section 6.4 details the process of data collection, discussing both sampling issues and how interviews were obtained and with whom exactly. A discussion on data analysis follows in section 6.5. O'Dwyer's (2004) method for generating a story from messy interview data has been broadly followed in analysing the data and this process will be described. Finally, section 6.6 summarises the chapter and alludes to the ensuing chapters that relay the 'meta story' that emerged from the data analysis.

### **6.2 Qualitative Research**

Building upon the insights of the pilot study and previous fieldwork into SER demands a qualitative approach to research. Such an approach involves observation of events in their natural setting: "qualitative methodology recognises that human behaviour cannot be adequately understood by observing it from the outside...human beings are symbol manipulators and it is incumbent on the researcher to understand the symbols, their meaning, and how they are manipulated" (Atkinson and Shaffir, 1998, p.43). This presupposes that social phenomena are best understood from the actor's own perspective. The object of qualitative research is often to get an understanding as intimate as possible of how those actors perceive the world.

Ahrens and Dent (1998) note that field research gives the opportunity to capture the ambiguities, tensions and contradictions that are associated with accounting. Indeed, previous fieldwork into SER has shown that the motivations behind corporate accountability mechanisms are complex and multifarious. This contrasts with the work that has taken a more quantitative approach to understanding SER motivations. Fieldwork has shown itself to be much more adept at answering

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<sup>1</sup> The term 'qualitative interview' is used here, rather than simply interview, in order to recognise the variety of different approaches that may be taken to interviewing. For example, the qualitative approach to interviewing adopted in this thesis can be contrasted with more structured interviewing formats that do not necessarily seek to uncover rich descriptions of social life.

the *why* and *how* questions, whereas quantitative studies have focused on the *what*, *where* and *when* of SER (Gray, 2004). As far as quantitative work has attempted to determine why organisations report, only broad interpretations have been offered that do not fully specify the complexity of SER motivations. A promising avenue for shedding light on why organisations report, and why current corporate accountability mechanisms remain inadequate, would seem to be through fieldwork. There is thus a pragmatic justification for adopting a qualitative approach to research. Such an approach would also strongly reflect the methodological leanings of the researcher.

Exploring motivations in this way could be done either through an in-depth case study in one organisation or through a series of interviews with corporate managers from various organisations. Both approaches could potentially yield interesting insights into how reporting remains partial and incomplete. However, for reasons of practicality, interviews with corporate managers have been undertaken. This was the most feasible approach to adopt given the possibilities open to the researcher at the time. We will now consider in more detail the rationale for undertaking qualitative interviews and what they have to offer for enriching our understanding of any given phenomenon.

### 6.2.1 Qualitative Interviews

Kvale (1996) describes qualitative interviewing as literally the inter-changing of views between two people conversing about a theme of mutual interest. They are essentially professional conversations “whose purpose is to obtain descriptions of the life-world of the interviewee with a respect to interpreting the meaning of the described phenomena” (Kvale, 1996, p.6). Conversations are an ancient form of obtaining knowledge although, Kvale (1996) argues, they have only entered the social sciences as a recognised method in the last few decades. This is due to the long-term dominion of scientific method (Gadamer, 1979). Scientific method is designed for dealing with what is unchangeable – the laws of nature. The social sciences deal with what is changeable – morality and politics. The appropriateness of a model that searches for ironclad laws and the existence of definite relationships in a forever changing social world is therefore questionable.

Engaging in conversations brings social science research closer to the humanities and further away from the natural science model that has dominated for so long: “the mode of *understanding* implied by qualitative research involves alternative conceptions of social knowledge of meaning, reality and truth in social science research” (Kvale, 1996, p.11). The emphasis in qualitative research is on *understanding* rather than definite knowledge. The role of the researcher is to interpret rather than quantify objective data. Kvale (1996) uses the metaphor of the researcher as a traveller, asking inhabitants of various places about their lived world, then telling ‘stories’ on return home. This is

placed in contrast to the metaphor of the researcher as a miner, uncovering nuggets of pure meaning, uncontaminated by the miner's own thoughts, feelings or prejudices. A researcher's prior theorising, understanding, emotional and cultural predispositions not only affect research results, but also become part of the research process itself (Kleinman, 1991). Our reactions to real life situations reflect our ideologies, and this will inevitably impact on research results.

So there is inherent subjectivity in qualitative interviewing. However, this does not mean that qualitative research should be viewed as merely an inexact science (Gadamer, 1998). Nor should qualitative research seek to copy the natural sciences. By trying to remain objective, researchers will only end up implementing the worst form of objectivism: filling in the gaps with their own (non-empirically based) interpretations (Atkinson and Shaffir, 1998). The researcher needs to obtain first hand knowledge and get as close as possible to the empirical world. This implies that the subjectivity of the researcher be embraced. Indeed, the notion that we can start research with a clean perceptual slate is absurd. Prejudice is a starting point for understanding (Gadamer). However, rigour in the way that the research is conducted is of paramount importance in communicating understanding. The researcher should be reflexive so as to be aware of how one's own subjectivity shapes the research study and affects the research results. This is essential because a qualitative interview does not equate to a Gadamerian *fusion of horizons*:

“it belongs to every true conversation that each person opens himself to the other, truly accepts his point of view as valid and transposes himself into the other to such an extent that he understands not the particular individual but what he says. What is to be grasped is the substantive rightness of his opinion, so that we can be at one with each other on the subject” (Gadamer, 1989, p.385).

This may ideally be how two people reach an understanding together, but such a Platonic conversation is outwith the bounds of the research interview. The qualitative interview is not intended to change the interviewees' convictions and conceptions through a philosophical dialogue. Nor is it, as in a therapeutic conversation, intended primarily to encourage the interviewee to reach some new level of self-understanding (Kvale, 1996). Rather, the qualitative interview is an attempt to understand the themes of the lived daily world from the subject's own perspective. Although all conversations are reciprocal to some extent, the qualitative interview is characterised by a clear asymmetry of power, with the interviewer in charge of questioning. The intention is primarily to understand the subject's views and reactions to certain questions and topics of mutual interest, not to make the subject *fully* understand the researcher's position (although some degree of mutual understanding is implicit in any conversation): “Thus, we do not relate the other's opinion to him but to our own opinions and views” (Gadamer, 1989, p.385).

### *6.2.1.1 Interview Approach*

Qualitative interviewing represents a desire to perceive depth over breadth (Ahrens and Dent, 1998). An understanding of the motivations and meanings attributed to social processes (such as SER) requires engagement with the complexity of people's accounts and experiences (Mason, 1996). Interviews can be structured to varying degrees ranging from the completely unscripted to the highly formalised where the interview protocol essentially takes the form of a questionnaire. For this study, there is clearly some structure in that the motivations behind SER are to be focused upon. However, given that previous research has shown motivations to be complex (O'Dwyer, 2003) and varied across firms (Buhr, 2002) then too much structure risks closing off the possibility of interesting and new insights emerging. A semi-structured approach to interviewing was taken, offering the most flexibility for the researcher and the interviewee to pursue information that seemed most appropriate<sup>2</sup>.

The interviews took the form of guided conversations (Llewelyn, 2001), where the views of the interviewees were sought in relation to derived themes of theoretical interest. This open-ended or semi-structured approach has been described as one that empowers respondents, "enabling them to speak in their own voices" (Llewellyn, 2001, p.599). Essentially, the interviewees must tell the story. This has implications for how to analyse the data (see below), although the way in which the interview is conducted is also of crucial importance for guiding the conversations in a way that allows the interviewees to speak for themselves. Furthermore, as Kleinman (1991) points out, analysis also begins at the start of the study whether we like it or not. One must therefore be conscious of the behaviour of the researcher, the subject and the inter-relation between the two. For this it may help to think of the researcher as both there – involved in the field research – yet not there – maintaining an analytical distance (Baxter and Chua, 1998).

The primary intention of the interviews is to understand the motivations behind SER in UK organisations. Interviews were arranged with representatives from numerous UK reporting organisations in order to explore the nature of SER motivations, and how these motivations differ and cohere across firms. As mentioned above, this was explored by attempting to let the

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<sup>2</sup> The interview approach did change slightly between the pilot and main studies. Although both were semi-structured, the pilot study covered a broad range of theoretically relevant areas and was much more exploratory. Following the analysis of the pilot study, the interviews for the main study were much more focused on particular ideological considerations (see below for a discussion of the interview protocol for the main study).

interviewees give *their* accounts. The interview protocol was designed around theoretically relevant areas. Although the interviewees were guided into these areas and probed on them, the protocol was constructed in a manner that left the interviewees open to give voice to their own perceptions and opinions. In order to allow these loosely guided conversations to flow, the researcher must be sensitive to how *understanding* is reached through conversation.

Open-ended interviewing requires significant skill and sensitivity on the part of the researcher. The quality of information obtained from an interview is largely dependent on the interviewer (Patton, 2002). Kvale (1996) describes a number of heuristics which the qualitative interviewer should be sensitive toward that improve the quality of information obtained from an interview, and which will therefore facilitate understanding. These are, *inter alia*, specificity; naivete; focus; ambiguity; change; prior knowledge; reciprocal influence. With *specificity*, the researcher should seek to elicit specific situations from each interviewee, not general opinions. General views can be formed by the researcher through the synthesis of the specific stories voiced by the interviewees. Kvale (1996) also suggests that the researcher should consciously try to be *naïve* in the sense that he is open to new and unexpected phenomena, rather than having predetermined schema of interpretation. This is not to say that prior theorising has no role to play in guiding the conversations *ad hoc*, but the researcher should be open to the possibility that his prior theorisation may actually conflict with the data, or only offer a partial interpretation of it.

The *focus* of the interview should also be borne in mind. The interviews conducted were what could be described as loosely structured, being neither strictly standardised nor entirely non-directive. The interviews had a structure within which the interviewees had significant room to relay their own experiences and views. With *ambiguity*, the researcher must be prepared to deal with the potentially contradictory and confused interpretations of the interviewees. There was indeed contradiction within interviewee stories as well as across interviewee stories when constructing the “meta-story” (Llewellyn, 2001, p.599).

*Change* implies that the researcher must be aware that the interviewee may change their interpretation of a theme. The interview situation may cause them to reflect in new ways on their lived world. In fact, there were instances where some interviewees were clearly thinking about things that they had not previously considered and were forced to come to an interpretation for the first time. The insights offered by any interviewee are therefore not unproblematic, but tempered highly by that interviewee’s consciousness. Interviewees, or agents, may be thought of as having a

“practical consciousness” (Giddens, 1984, p.44) of events that have taken place. That is, they reflexively monitor their own conduct and those around them. This is tantamount to the agent relating events around him to his own activity. The way in which an agent perceives the events around him and interprets them may vary from agent to agent. Therefore, one must expect varied and even conflicting interpretations of events.

A further layer of complexity is added by the existence of “discursive consciousness” (Giddens, 1984, p.44). It is the agent’s “discursive consciousness” that the researcher will be faced with. This level of consciousness refers not to what agents know about their actions but what they can or decide to articulate/express about those actions and their conditions. Thus, even although interviewees may hold a variety of intuitive understandings, the way in which these interpretations are communicated, if at all, will vary also. It is complexities such as these that have perhaps led to the dominance of scientific method as researchers seek comfort in something that is more definite and seemingly absolute. However, as long as the researcher forms interpretations with rigour and reflexivity, then the full richness of social life can be tackled head on. “It is better to try to understand the complexities of the interaction, rather than to pretend that key dimensions can be controlled for” (Mason, 1996, p.41).

The researcher’s *prior knowledge* of the topic will also affect the interview. It is not only in constructing the interview protocol and in analysing the data that the researcher’s interpretive schema comes to the fore, the open-ended nature of the interview means that the researcher does not play a passive role. Rather, the researcher must be sensitive to the theoretical framing of the interviews and probe and urge the interviewees on themes of seeming theoretical importance. Aggressive interviewing can elicit more information (Fielding and Thomas, 2001) although Patton (2002) notes that interview probes should be used naturally and gently. Giving feedback to the interviewee is also a good way of maintaining the flow of communication during the interview. For example, “it’s really helpful to get this level of detail, that’s just the kind of thing I am looking for” (Patton, 2002). In essence, through feedback, the interviewer is training the interviewee. This probing must always be balanced with the maxim of allowing the interviews to speak in their own voices. The researcher must direct the interviewee into theoretically relevant areas. What happens once the interviewee arrives there can be determined by the researcher only up to a point.

Kvale (1996) also points out that the researcher and the interviewee *influence each other reciprocally*. Interviewees may react in different ways to the researcher and vice versa. This

influence must be recognised by the researcher during both the interview and the analysis phases. The interaction between the two parties is an essential element of the interview process and some degree of rapport must be established so as to allow the researcher to be able to empathise with the participants (Kleinman, 1991). The closer one can get to the participants empathetically, the more one can understand why they behave as they do.

Finally, Patton (2002) points out that at the end of the interview, the interviewee should always be given the opportunity to have the final say.

Such was the manner in which the interviews were generally carried out during both the pilot study and (especially) the main study. However, the extent to which each study was focused differed, with Neo-Gramscian theory emerging after the pilot study. The way in which the interview data was analysed from study to study also varied, because of the differing emphases that were placed on each study. These different approaches are outlined in more detail below.

#### *6.2.1.2 Note on Textual Analysis*

In both the pilot and main studies, the latest SER from each company<sup>3</sup> was read, as this was to be the basis of the discussion. This was not a content analysis so much as a reading of the text to get a feel for what was being communicated and to sensitise the researcher towards the types of language and constructs used by the interviewees (who were involved in the preparation of the report). This process became slightly more formalised during the main study, when the notion of reporting completeness became more salient. At this stage, the report was read in comparison with the ideal for accountability outlined by Gray (2000). Gray (2000) argues that full accountability would require reporting to be based strongly around stakeholder concerns along with best practice guidelines and legal requirements as well as witnessing an attempt at a comprehensive ecological impact analysis such as an eco-balance or ecological footprint. The reports were therefore read in order to determine how and where they fell short of this ideal. The intention was not to create a league table of completeness or to benchmark companies in anyway so much as the reading was used as a basis by which to probe interviewees on their views regarding more complete reporting<sup>4</sup>.

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<sup>3</sup> See section 6.2.4 for details of the sample of companies.

<sup>4</sup> One of the initial ideas for the thesis was to undertake an in-depth content analysis of UK companies, assessing for reporting completeness. However, this idea eventually gave way to the more qualitative study that was eventually undertaken. Such an in-depth analysis would have complemented the interviews but time dictated either one or the other. However, the researcher still intends to undertake such an analysis in the future.

### **6.3 Interview Protocol – Theoretical Framing**

The pilot study raised a number of questions regarding managerial attitudes in relation to SER. In particular, the interviewees studied talked overwhelmingly in terms of the business case for SER and CSR. The interviewees limited their discussion to win-win scenarios and the communication of these to the outside world. On analysis, the question was raised over the extent to which SER may be influenced by, and therefore supportive of, a particular ideological viewpoint: that of “win-win”. Ecological modernisation was given as an example in chapter 5 of a win-win discourse that has been employed by business in the past (and Levy and Egan, 2003).

The concern was not to explore the influence of ecological modernisation specifically on SER, but the influence of win-win discourses generally. Although SER remains partial and incomplete (Gray and Milne, 2002; Adams, 2004), the reasons for this incompleteness are not completely understood. In particular, the extent to which organisations are being purely instrumental with their reporting in order to achieve legitimacy may need to be juxtaposed with the extent to which organisational members are ideologically inculcated with notions of responsibility and accountability. Whilst reporting remains incomplete and shows a win-win reality where social responsibility, environmental stewardship and commercial success exist in a virtuous cycle, organisational members may not recognise that reporting as being incomplete.

A narrow focus on win-win scenarios may cloud managerial perceptions of the reality of the trade-offs that exist between commercial and socio-environmental criteria (Walley and Whitehead, 1994). Corporate managers may actually believe that the overall reality of their organisation’s relationship with society *is* win-win. This would go some way toward explaining partial SER. SER, whilst clearly underpinned by instrumentality, may also have an ideological basis.

The interviews for the main study were therefore concentrated more concretely around these issues. Whilst the pilot study covered a range of theoretically relevant areas, the main study went into more depth on certain points. The main focus remained on motivations, although the ideologies and beliefs of the interviewees were probed more in the main study. Although the focus was tighter in the main study, the same fundamental approach to carrying out the interview was followed. The interviews were conducted as guided conversations (Llewellyn, 2001) where the individuals were directed into relevant themes and topics and then left relatively free to convey their own views and beliefs. The interviewees were not supplied with a copy of the interview protocol beforehand, but

simply informed that the research was concerned with discussing the motivations behind SER and, in particular, any purported business case for it. The topics covered during the interview protocol were as follows:

1. Role and background of the interviewee
2. Individuals/Departments involved in the preparation of the report
3. Motivations for reporting
4. Conflicts
5. Limits
6. Reporting Audiences
7. Reporting Regulation
8. Reporting Completeness

The protocol has been adapted from the pilot study in order to better explore the issues raised by that study. The first two points on the schedule are introductory themes that serve to ease the interviewees gently into the interview situation, talking about themselves whilst giving contextual information about the reporting process. The majority of each interview was spent discussing points three, four and five, as these were the areas identified prior to entering the field as the most theoretically important. The interviewer therefore guided the conversations into these areas. The extent and nature of the discussions around these points varied slightly across interviews in accordance with the willingness of the interviewees to engage in such discussions.

More specifically, the interviewees were asked whether there was a business case for their SER and CSR and, if so, to outline what that business case was. The pilot study seemed to suggest, in line with previous literature (see, for example, Owen *et al*, 2001 and O'Dwyer, 2003), that a business case was the primary driver for organisational SER and CSR. It may therefore have been expected that the interviewees would articulate a business case. However, this was not to preclude the possibility of other motivations being explored. The researcher did not merely 'lead' the interviewees into an explanation of the business case. The interviewees were asked what were the motivations behind their SER and CSR, with the existence of any purported business case being put forward as something that the researcher was keen to explore in particular. The fact that the interviewees focused overwhelmingly on business case motivations is a scenario that, on reflection, would have occurred in the event that the researcher did not explicitly mention the business case.

The main change from the pilot study came with the introduction of the themes of conflicts and limits. Interviewees were also asked where they perceived the *limits* to their social and environmental activities and reporting lay, what set the bounds. This was probing specifically on the pervasiveness and importance of the business case. Interviewees were asked whether every socio-

environmental initiative or reporting decision that their organisation undertook needed to yield a business benefit. This theme is highly linked into the motivations theme, and indeed the way in which the discussions around limits took shape depended largely on how the interviewees themselves articulated motivations. The discussion around limits actually served to interrogate the reasons given by the interviewees for SER and CSR, exploring which motivations were dominant.

In the *conflicts* section of the interview, the researcher juxtaposed commercial and socio-environmental criteria. The interviewees were asked whether they thought that these were mutually exclusive to any degree. Win-win would suggest no conflict. In order to facilitate an in-depth discussion on this issue, the interviewees were also probed with the conundrum of business growth/environmental impact. This conundrum proposes that where a business grows and makes greater profits, the natural environment suffers in proportion, perhaps even undermining any eco-efficiency advances that have been made by the business in question. This probing did not undermine the free-flowing nature of the conversation to any significant degree, and was not necessary in every interview as some interviewees picked up on the suggestion of conflict in the initial questioning. Where the probing did take place there was still considerable scope for the interviewees to give examples of particular instances where conflicts did or did not take place, and to express their views as to whether they thought that such a conundrum was accurate or not.

The sixth point on the list refers to the audiences for the report. Understanding to whom the report is directed may further shed light on the motivations for reporting. Moreover, who the various audiences are for SER has not been systematically dealt with in the literature (although see Miles *et al*, 2002; Milne and Patten, 2002; Neu *et al*, 1998; Tilt, 1994). Reporting regulation is discussed, again, as a means of exploring in more depth the motivations behind reporting. There were some anti-regulatory views expressed by the interviewees in the pilot study which may lend support to the suggestion that voluntary reporting is undertaken as a means to pre-empt any moves towards legislation in this area.

Finally, reporting completeness refers to the discussion around the company's SER specifically. Prior to entering the interview setting, the company's latest SER was read. This gave some background knowledge of the company and a feeling for the language used by the people within the company. Beyond this sensitising of the corporate context, the report was also read more specifically with regard to comparing it broadly to the full accountability model outlined by Gray (2000). The interviewees were asked what they thought about the feasibility and desirability of

undertaking an Ecological Footprint analysis<sup>5</sup>. The researcher outlined what such an analysis would entail where necessary, and how the environmental information in the SER compared to an Ecological Footprint was relayed to each interviewee.

Gray and Milne (2002) suggest that a full environmental report would contain some calculation of the organisation's Ecological Footprint or a full Eco-Balance (see also Gray, 2000). The Ecological Footprint emphasises that the eco-systems that actually support typical industrial regions, and organisations, lie (invisibly) far beyond their political or geographical boundaries. This would entail a calculation of the *natural capital* used up by the organisation over a given time period (see Chambers and Lewis, 2001). Essentially, the Ecological Footprint can be applied to measure the resource consumption and waste assimilation requirements of (say) an organisation in terms of productive land area (see Wackernagel and Rees, 1996). In other words, how much productive land area is required to sustain the life cycle of organisational operations. Chambers and Lewis (2001) suggest that the Ecological Footprint would assess broadly the environmental sustainability of the reporting entity.

One could argue that organisations have a moral duty to show what the ecological implications are of sustaining their operations. As Gray and Milne (2002) note, if organisations are sustainable, as many claim to be, then they should show us the evidence for this. There is thus an accountability argument in favour of the Ecological Footprint. This aside, it can also be applied for internal management purposes such as environmental management and capital investment decisions. Chambers and Lewis (2001) suggest that the Ecological Footprint can be applied at the corporate level as an aggregated environmental indicator. Anglian Water Services have applied the methodology for such a purpose (see Chambers and Lewis, 2001).

Reporting completeness is considered a particularly interesting theme to raise because it ties together discussions of motivations, limits and conflicts. An Ecological Footprint would arguably suggest that the reality of business-environment relations was more win-lose (in business's favour) than win-win. It would show the environmental conflicts that large-scale commercial activity creates. Thus, the production of an Ecological Footprint would create dissonance with any win-win ideology. One could therefore expect resistance to such an analysis on the grounds that it would not create the 'right' impression. Exploration into the views towards the ecological footprint therefore

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<sup>5</sup> Gray's (2000) model for complete reporting includes also a stakeholder map, and reference to best practice guidelines and regulatory minimums. Only the environmental element of Gray's (2000) model was explored in the interviews. The researcher felt that more depth could be ascertained by focusing on one element of reporting. The choice of environment over the social was a personal one, albeit one that could just as easily have been reversed.

was intended to reveal more about motivations, practical reasons for partial reporting and any ideological barriers to full accountability.

Prior to conducting the interview with each interviewee, a reading of their company's SER was undertaken in order to determine how close the organisation came to producing an Ecological Footprint. The level of environmental information provided varied but even the most comprehensive reports only provided data on certain elements (arguably the key elements) of their environmental interactions. Not one report had made an attempt at an Ecological Footprint calculation, or any other type of overall impact analysis. Therefore, during the interview the interviewees were presented with the idea of an Ecological Footprint as a basis for reporting environmental interactions. They were then asked how feasible and desirable such an analysis would be for their organisation. In particular, the extent to which there was or was not a business case for Ecological Footprinting was probed into. Given the time constraints that existed for certain interviews, a discussion about Ecological Footprinting was had with only twenty of the interviewees.

## **6.4 Data Collection**

### *6.4.1 Sample*

The organisations interviewed for the main study were drawn from those who had submitted a report to the ACCA reporting awards in 2003 (see chapter 5 for a discussion of the appropriateness of drawing a sample from this awards scheme). The pilot study utilised a much smaller sample and so in order to focus on "best practice", only those organisations that were shortlisted for an award were interviewed. The main study, in addition to those organisations that had been shortlisted for awards (although not interviewed as part of the pilot), also included those organisations that had submitted their reports to the awards scheme, but were not shortlisted. The submissions list was not in the public domain at the time and so was obtained directly from the ACCA.

The ACCA awards scheme is split into environmental, social and sustainability reports. The pilot study dealt with organisations from each of the three categories, as they all constitute SER. However, from the pilot study the discourse theory interpretation offered a possible ideological explanation for the lack of reporting completeness in SER (Gray and Milne, 2002). It was therefore decided to focus on the organisations whose reports were thought to represent the most complete in SER. For this reason, the sustainability category was selected as the most important. Although definitions of sustainability diverge widely (see Bebbington, 2001) and so called Sustainability

reporting generally does not discuss issues of sustainability (Gray and Milne, 2002), Sustainability reports generally represent consideration of both social and environmental issues, rather than focusing on one or the other. In sum, the organisations focused on were those who may reasonably be considered to be the most complete of those following current “best practice”.

The sample was also stratified (broadly) by size criteria. The awards are open to large companies, SMEs and also ‘social businesses’ and community-based organisations. Given that this thesis is concerned with accountability as a means of redressing power imbalances, this could conceivably include all of the above organisations. However, it is those organisations that have the greater power to influence governments, create consumer demand and have the biggest social and environmental impacts that will be focused on: large companies. This is in line with the vast majority of literature on SER. The majority of the organisations contacted are quoted but the few who are not form a sub-sample that may result in an interesting comparative analysis. An industry criterion was not a key consideration in selecting the companies to be contacted, but the broad range of organisations interviewed was identified by industry groupings at the analysis and interpretation stage.

#### *6.4.2 Obtaining Interviews*

From the ACCA’s submissions lists, SERs were collected for the listed and large companies. Some of these organisations were interviewed for the pilot study and so were excluded from the main study. Although the issues covered during the main study were informed by a different focus than those explored during the pilot study, they also covered the same ground in many respects. Therefore, re-interviewing the same people from the pilot study (should this even have been possible) would have involved rehearsing much of the same conversation previously undertaken. Whilst this might have been an interesting experience to reflect upon, it would be unlikely to endear corporate managers to data-hungry academics in the future.

Following the high response rate of the pilot study, letters were initially sent to organisational CSR or Environment departments identified in the back of corporate reports requesting an interview with the individual/s responsible for producing the organisation’s SER. However, responses to these letters were not forthcoming<sup>6</sup>, so telephone calls were made initially, and then e-mails sent, in order to chase up the relevant individuals. This proved to be much more successful. The researcher sought to arrange as many interviews as possible with SER managers. In total, 25 companies agreed to give

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<sup>6</sup> This was surprising, given that the same style of approach was taken as in the pilot study. It is unclear why positive responses were much easier the first time round.

an interview. Not all of these had submitted to the sustainability category however. Only 21 interviews were successfully arranged with ‘sustainability reporters’. The remaining 4 organisations were drawn from either the environmental or social categories. The basis by which these 4 organisations were chosen was the breadth of issues covered in their reports. Furthermore, the inclusion of these 4 ‘non-sustainability reports’ does not seem to have diluted the quality of the sample at all. Although the four were not in the sustainability category, their reports did cover both social and environmental issues in roughly equal proportion and so were deemed suitable for inclusion.<sup>7</sup>

Additionally, two firms that do not produce a stand-alone report were interviewed. It was initially intended to interview many more non-reporters, but efforts to engage them proved fruitless. Beyond the initial problem of not having a particular person to contact (the non-reporters, in contrast with the reporters, did not have a separate CSR department or even an individual to deal with CSR-related enquiries), once the person responsible for writing the organisation’s social and environmental sections in the Annual Report was eventually contacted, they did not seem open to dialogue on SER or CSR. Thus, interviews were successfully arranged with only two non-reporting firms. One of these firms was in the process of preparing a stand-alone SER for the following year. The other firm had no plans to produce a stand-alone SER in the future, and was opposed to the very idea. These firms have been included in the sample in order to compare and contrast with the articulations of the other interviewees.

The interviews were arranged and conducted between June and September of 2004. The process was not in clearly demarcated stages. Some were not arranged until others had been conducted. For example, even after 20 interviews had been completed, the researcher was still arranging interviews and contacting companies for the first time. Some of the interviewees were happy to grant an interview as it emerged that their job was to influence external perceptions of the company’s CSR. Thus, speaking to a researcher may conceivably be agreed to by a CSR Manager because they see doing so as a means of spreading their message further to the outside world. However, many of the interviewees were swayed by the offer to discuss CSR in a reciprocal fashion rather than simply supply information for research. Thus, whilst some interviewees wanted to disseminate, other interviewees were keener to engage the researcher in discussion. In particular, some interviewees

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<sup>7</sup> Indeed, arguably many of the reports in the sustainability category are merely triple bottom line, rather than sustainability reports (see Gray and Milne, 2002). The labelling of them ‘sustainability reports’ reflects more their adoption of aspects of the sustainability terminology rather than a reflection of the sustainability implications of the company. Nevertheless, this is the best that SER has to offer and that is why these reporters have been focused on here.

were keen to receive the feedback on the report which was offered by the researcher. Many interviewees bemoaned the lack of interest that their report actually aroused. Others were not interested in this, but happy to meet and provide any information that was sought by the research project anyway.

Some interviewees did not give a reason for not granting an interview, or suggested that I read the report in order to obtain any information that was required. However, where given, the major reason for not granting an interview was that the individuals and their departments were not well enough resourced and/or had a limited amount of time. They mentioned how they already spent considerable amounts of time filling in academic and investment questionnaires. The following respondent replied to an e-mail and permitted the researcher to use his comments in any future publication. He stressed that his views did not necessarily represent the company he worked for, but were his own.

*“There is quite a severe issue of CSR “questionnaire fatigue” / overload, in which companies receive large numbers of enquiries from a) many bodies such as ACCA, b) even more organisations doing research work on their behalf (i.e. this is the third enquiry re. work commissioned by the ACCA that I have received in the last month or so), and c) an amazing amount from BSc and MSc students looking to write dissertations based on surveys of the FTSE100 / 250”.*

He then went on to raise some interesting questions about the people who *do* find the time to talk to researchers about, or respond to questionnaires on, CSR:

*“Quite simply, there is I would suggest an inverse relationship between the willingness of companies to respond to more than say 10-20% of these enquiries and their seriousness about CSR. If CSR was to us PR we would direct our resources towards answering questionnaires etc., however it is not, so we are more interested in action, not words. Of course communication externally is important, but beyond a base-level focussed towards our core stakeholders what really matters is actual action within ones sphere of influence (+ communication internally / with our suppliers to embed controls and standards etc.).”*

One of the interviewees in the study actually echoed this view when he remarked that having to spend lots of time reporting and dealing with external communications actually prevented him from changing the organisation. Nevertheless, the implication of the above quote is that the interviewees who have agreed to talk to the researcher are the ones that are less serious about CSR. There may be some truth in this, particularly as regards to those interviewees who seemed willing to supply information, but were less keen to ‘discuss’ CSR with the researcher. However, a significant

number of interviewees were actually keen to discuss certain issues in a reciprocal fashion. Indeed, these were the interviewees who seemed more interested in how CSR affected their organisation's actual activities, rather than just their communications. Therefore, spending time talking does not *necessarily* denote a stance towards CSR that equates it with PR. Moreover, being serious about CSR begs the question of 'what CSR' are they serious or not serious about?

A number of organisations that did not produce a stand alone SER were also contacted with a view to exploring motivations for reporting absence. This would have allowed for the critique of the business case. If many organisations do not report, then this implies that the business case is not applicable to everybody. In turn, this undermines business suggestions that there is a business case for CSR or Sustainability. However, although a number of 'non-reporters' were contacted, only two interviews were actually arranged and one of these companies was preparing to produce a stand alone SER for the following year. This lack of success in engaging non-reporters is perhaps interesting in itself, although one can only speculate why they seem to be less interested in talking about SER. Often it was very difficult tracking down the person involved in preparing the socio-environmental information for the Annual Report as these organisations generally did not have CSR departments and it was difficult getting in touch with the relevant individual. Where the relevant person was contacted successfully, they were generally uninterested in granting an interview, citing time constraints where a reason was given at all.

In the end, 27 individuals were interviewed from 25 organisations. These individuals were generally the person responsible for the day-to-day collation of the report. In a couple of cases, they worked on the report, but did not have overall responsibility for it. Elsewhere, a couple of interviewees were the directors with ultimate responsibility for the report, but subordinates actually dealt with the day-to-day process of producing the report. This scenario was not one that was deliberately sought out by the researcher; rather it depended on availability of the relevant individual and the person to whom the researcher was directed. However, by and large, the 'SER managers', i.e. those responsible for the day-to-day process of producing the report, were those who were interviewed. These individuals were generally below board level and part of either the corporate 'environment', 'environment, health and safety', or 'corporate responsibility/sustainability' departments.

The breakdown of companies interviewed is as follows:

| <b><u>Industry Sector</u></b> | <b><u>Number of Companies Interviewed</u></b> | <b><u>Comments</u></b>   |
|-------------------------------|---|--|
| Water and Waste               | 4   |  |
| Energy                        | 3   |  |
| Pharmaceuticals               | 1   |  |
| Extractive                    | 2   | (one of these interviews involved two company representatives) |
| Extractive Oil and Gas        | 2   |  |
| Speciality Metals             | 1   |  |
| Telecomms                     | 1   |  |
| Construction/Property         | 3   | (one of these interviews involved two company representatives) |
| Logistics                     | 1   |  |
| Aviation                      | 1   |  |
| Financial Services            | 2   |  |
| Corporate Services            | 1   | (non-reporter)   |
| Services                      | 1   | (non-reporter)   |
| Music                         | 1   |  |
| Publishing                    | <u>1</u>                                      |  |
|                               | <b>25</b>                                     |  |

Table 1: Breakdown of Interviews by industry

The interviews were all conducted at the premises of the interviewees, carried out face-to-face and recorded on the guarantee of anonymity in any subsequent publications. Some of the interviewees actually expressed a preference for their names to be used explicitly. However, given that it was guaranteed from the outset and that a number of interviewees clearly felt more comfortable with it, anonymity was extended to all of the interviewees. The concern of the thesis is more with the general state of corporate accountability rather than individual isolated examples of this. The reason for focusing on individual companies in the empirical study is to understand how this accountability plays out in the general sense, and to ascertain what prevents corporate accountability from being discharged. Publicising certain branded companies may not help in reaching any such understanding so much as talking about them as a particular embodiment of the corporate form, for example, extractive or power generation.

### **6.5 Data Analysis**

25 interviews were undertaken, with a total of 27 people spoken to (2 interviews involved 2 people). The interviews lasted from between half an hour to two hours, with the majority of interviews taking around one and a half hours. All of the 25 interviews were recorded and subsequently transcribed with the exception of two who requested not to be recorded. Interestingly, one of these

two interviewees happened to be from one of the two non-reporting organisations. More extensive notes were taken during these interviews and these were used in the subsequent data analysis.

It may be worth noting that the approach to data analysis varied significantly between the pilot study and the main body of interviews. As the pilot study had a much more exploratory emphasis, the interview protocol was constructed so as to cover a wide range of ‘theoretically relevant’ areas (see Chapter 5). However, the analysis was not undertaken with regard to understanding specifically what each interviewee said about those particular areas. Rather, the interview transcripts were treated as stories in themselves. These stories were read and re-read in order to get an intuitive sense of what was being told. The background theoretical priors of the researcher provided a loose framework by which to make sense of what was being said. The stories were then read again in conjunction with a more explicit theoretical framing provided by Neo-Gramscian discourse theory. The data achieved some sort of ‘fit’ with the discourse theory, or it at least asked some interesting questions of it.

A degree of care and effort was put into the final analysis of the pilot interviews, although that process could admittedly have been more rigorous. However, the intention was not to reach a full (as far as this could ever be possible) *understanding* of SER motivations on the basis of these interviews. Rather, the pilot study served to illuminate themes worthy of further pursuit. These themes were subsequently explored in more depth during the main study. The data analysis during the main study was pervasive throughout with extensive field notes and reflections taken down in a research journal and notebook. However, the final data analysis of the main interviews was much more systematic and rigorous than that which was undertaken for the pilot interviews. This was perceived to be necessary in order to reach an understanding of SER motivations that was attestable.

Miles and Huberman (1994) note that there are three concurrent themes during qualitative data analysis: data reduction; data display; and conclusion drawing and verification. Throughout the data collection stage, extensive notes were taken down during the actual interviews and personal reflections were written in a memo book that was kept for the purpose. The memo book would be written in immediately after an interview in order to collect initial impressions, and also on travelling back from the interview. This is tantamount to reflexivity on the part of the researcher: “theorising in the field is characterised by reflective pauses; junctures at which the researcher moves from the present to the distant, invoking his/her sociological imagination” (Baxter and Chua,

1998, p.79). Furthermore, as the interviews were transcribed these notes were added to and interrogated.

Thus, some form of data analysis during the data collection phase was undertaken. Kleinman (1991) notes that analysis begins right at the start of a fieldwork study because a researcher's personal feelings and emotional reactions shape how the study evolves. As O'Dwyer (2004) notes, data analysis "constitutes a pervasive activity throughout a study's life and does not commence (only) after interview evidence has been collected" (p.393). Similarly, Ahrens and Dent (1998) remark that "it would be a strangely disinterested researcher who could withhold from at least tentative pattern making at an early stage during the research process" (p.28). Indeed, the insights offered during the data collection and transcription phases led to the formation of a rough and broad picture regarding the motivations behind corporate SER and CSR. However, the data was still very difficult to manage and link together at this stage. In light of this a more systematic approach to data analysis was undertaken in order to facilitate the writing of the 'meta story' of the interviews. Diagram 1 summarises the key data analysis stages that the study travelled through, and the key activities undertaken at each of these stages (see attached).

O'Dwyer (2004) notes that there are two sides to qualitative analysis: "the highly creative element depending on the insights and conceptual capabilities of the analyst; and a technical side that is analytically rigorous, mentally replicable, and explicitly systematic" (p.393, following, Patton, 1990). The analysis up until this point was very intuitive and creative, but it was felt that a more analytical approach would help in condensing and organising the data into a form which would allow the 'meta-story' (Llewellyn, 2001) to emerge. This is not to deny the importance of the researcher's own cognitive and creative influence on the process, on the contrary. The systematic approach to data analysis that was followed undoubtedly facilitated the emergence of more coherent and penetrating insights.

### 6.5.1 Data Reduction and Display

Broadly following O'Dwyer's (2004) approach to data analysis, a second reading<sup>8</sup> of each transcript was undertaken in conjunction with previous notes and memos. Each transcript was coded in sections using NVivo software. The codes were derived initially from the interview protocol but the semi-structured nature of the interview meant that the overwhelming majority of codes were

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<sup>8</sup> The first reading was undertaken as the interview tapes were transcribed.

intuitively derived. For example, 89 ‘free nodes’ were derived, over 30 of which were identified as specific motivations. Codes were derived for each motivation as it ‘emerged’. Also, the loosely guided conversations invariably covered some ground outside of the interview protocol, and codes had to be derived for the various topics discussed. Throughout this process, a memo book separate from that which related to each individual interview was kept in order to reflect on potential general themes and the meaning of the data as a whole.

As the coding of each transcript progressed, the codes were reflexively implemented. The intuitive formulation of a motivation, for example, sometimes caused the revision of a previously ascribed motivation. This would require working through previously coded transcripts to allow for the revision of certain ascribed motivations. Sometimes, the correction to the new code was deemed inappropriate, and so two distinct motivations were formulated. Again, this led to further interrogation of previously coded transcripts. This iterative process of ‘smoothing out’ the data continued right throughout the coding phase and even afterwards when the reduced data was displayed for the sake of writing the ‘meta-story’. However, it was most prevalent during the coding of the initial transcripts. Once a number of transcripts had been coded using the intuitively derived codes, the process of coding became less cumbersome and the need to revise codes became less frequent. The coding of the initial transcripts was more demanding and time consuming, requiring significant mental exertion and space to reflect and gather thoughts.

Not only were motivations coded into free nodes, but other constructs were created also. For example, the different audiences cited for SER were each coded separately, although sometimes there would be overlap when many audiences were mentioned in one sentence. Any expression of limits or constraints imposed on CSR activities were coded into a ‘limits’ node. Issues surrounding limits to fuller accountability or reporting completeness were similarly coded under a ‘reporting completeness’ node.

The process of coding was primarily inductive. Although background theorising inevitably influences the formulation of open codes, a conscious attempt was made to keep the codes as atheoretical as possible. Terms such as risk management or customer satisfaction were as abstract as the codes became, and these were based on the language constructs used by the interviewees themselves. The intention was to produce an inductively derived, descriptive ‘meta-story’. The Neo-Gramscian theory, whilst clearly having framed the main study from the outset, was explicitly re-introduced in order to make sense of the meta-story, not before. The application of the Neo-

Gramscian theory during the data analysis stage may have yielded an instrumental interpretation. Producing a meta-story of the interviews first of all allowed the researcher to get closer to the data before the theory was used to illuminate (and submerge) its significance.

Ahrens and Dent (1998) note that the most untheorised part of the qualitative research process is how the researchers see certain streams in the data. As mentioned above, this process of interpretation is pervasive throughout the life of the study, starting with the framing of the interview protocol, continuing with the way in which the researcher interacts with the interviewees in the field, and through to the analysis and writing up of the data. It is a highly creative process (Ahrens and Dent, 1998). The researcher synthesises observations into recurrent themes derived ‘intuitively’ (hermeneutically) from the interplay between fore-understanding and new experience.

Following the coding of each transcript, ‘big picture summaries’ were made for each interviewee. The summaries were constructed around the themes of the interview protocol. The summarising of each transcript served broadly two roles. Firstly, it allowed for a more accessible reading of each interview and how each interview corresponded to the various themes. Secondly, the systematic data analysis carried out serves to dissect the data. Although this has helped enormously in understanding the links between motivations and actually evoking a broad big picture, it is also important not to look at utterances in isolation. The context and general thrust of each interview is something that maintained a key position in the writing of the narrative.

Once the coding was completed and summaries had been prepared, the code files themselves were analysed. NVivo records each section of transcript that is coded under a certain code as an extract. Each code was therefore looked at and subject to analysis itself. This was particularly useful for understanding the intricacies of the various motivations ascribed to SER and CSR. To facilitate this understanding, matrices were constructed where each citation of a motivation was recorded next to the interviewee’s name in a table. This display gave a picture of the relative incidence of various themes and further helped to notice similarities and differences between the motivations. It also served to smooth out the coding which, as it was developed in iterative fashion, invariably resulted in the coding of some section of transcript that later was deemed more appropriate to another code. At this stage, a couple of motivations were deflated whilst a couple of others were eliminated, their sections being transferred to other, more relevant codes. As the codes were analysed and matrices constructed, thoughts on each motivation were recorded in a memo book.

The construction of the matrices also helped in drawing out contradictions in the data. Each free node (NVivo term for open code) included both affirmative and negative information. For example, the node for Motivation-Reputation included transcript sections that were either indicative of reputation as a motivating factor for SER/CSR or that questioned or denied reputation as a motivating factor. During the construction of the matrices, only the affirmative statements were included as the purpose of the matrix was to display what was motivating SER and CSR. The contradictory statements were noted in memo book 2 and were returned to when writing the ‘meta-story’.

The two interviews that were not recorded have not been included in the matrix. The matrices and incidences talked about therefore are in the context of 23 interviews. This is not to say that these other interviews have not been considered in the analysis, on the contrary. Their views and comments have been noted down and weaved into the narrative. However, it was felt that the detailed notes taken during and after these two interviews were not of sufficient breadth or depth as to justify including them in the matrix as they would potentially ‘skew’ the numbers by the many boxes that would remain absent.

Finally, a mind map of the various motivations was drawn in order to visualise the different motivations and group them into (intuitively) more general motivational themes. As can be seen from the mind map (see appendix 3), certain general themes such as ‘stakeholder management’ or ‘financial market-related’ motivations have been used to group free nodes. The groupings into motivational themes were done on the basis of the researcher’s intuitive fore-understanding rather than any explicit theorisation. The classification, although essentially emerging from the data, is arbitrary and it is recognised that alternative groupings would have been, and indeed are, possible. The way in which these groupings are organised has been laid out transparently in the mind map (see appendix 3).

### 6.5.2 Conclusion Drawing and Verification

The motivations mind map formed the structure of the narrative, or ‘meta-story’ of the interviews. The codes were revisited and each motivation was written about in turn and in accordance with whatever grouping it came under. In writing the narrative around each motivation, an explicit attempt was made to encapsulate both the similarities and contradictions between and within interviewee articulations. That is, although in many cases a free node (e.g. Regulator Related

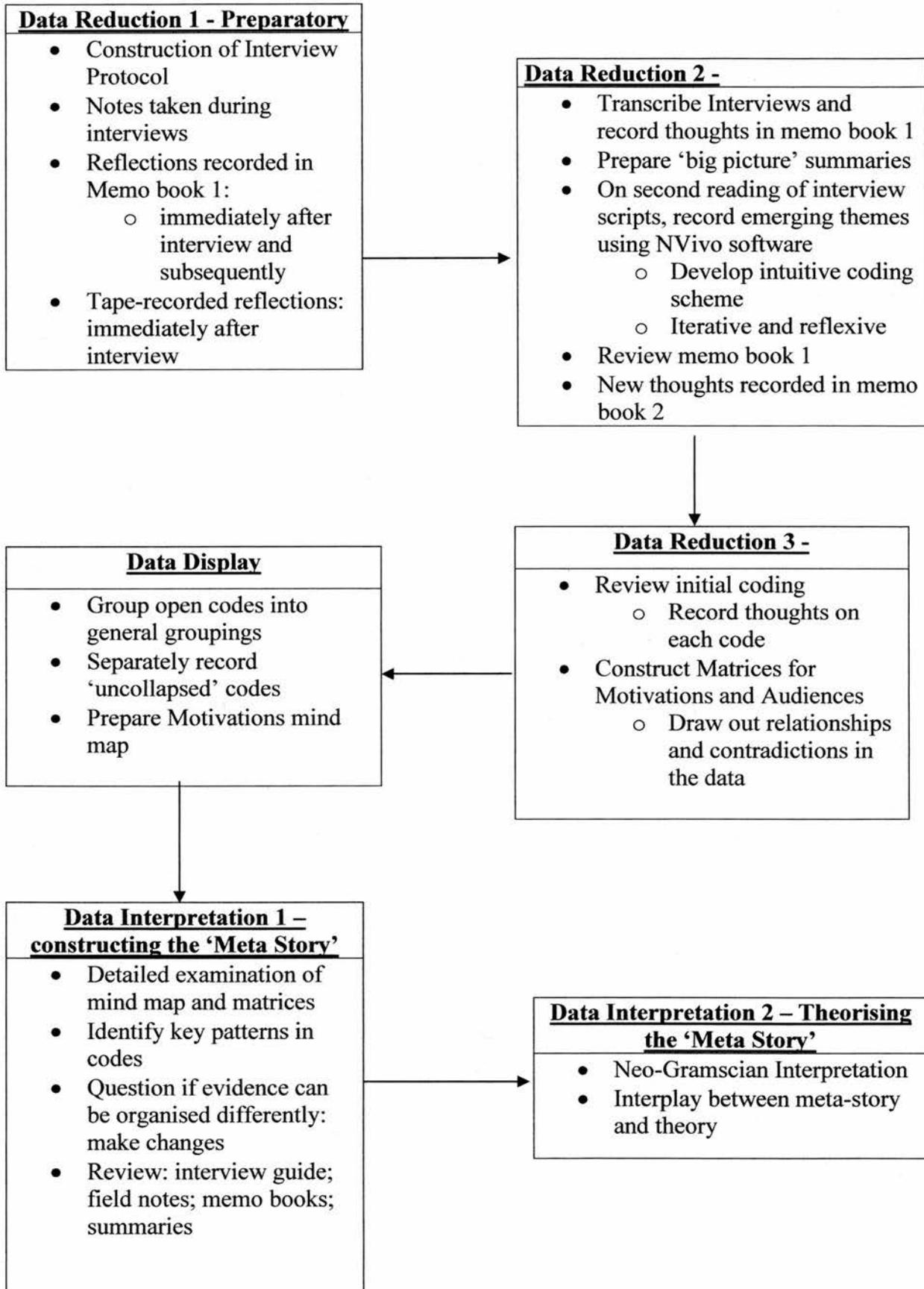
Drivers) told a fairly coherent story, there were always complexities and nuances within that story. In some cases, this included direct contradictions of the applicability of that node as a motivation. The narrative attempts to encapsulate these complexities at the same time as giving an overall impression of what generally seems to be driving SER and CSR. To help in maintaining an overall focus, the motivations matrices that were constructed also served to structure the narrative around the more dominant and salient themes. Throughout the writing process, the memo books, field notes and big picture summaries were referred to constantly.

The writing of the meta-story was not a mere padding out of the motivations map, however. O'Dwyer (2004) notes that writing up qualitative data forces the researcher to critique his initial analysis. Indeed, the process of drawing conclusions was just as iterative as the data reduction and data display phases and writing encouraged further reflection, offering new insights into the meaning of the data. Any new insights were either written into the narrative immediately or noted separately and considered at a later stage. Certain insights or interpretations previously formulated were revised accordingly.

Ahrens and Dent (1998) note that field research gives the opportunity to capture the ambiguities, tensions and contradictions that are associated with accounting. For this, Ahrens and Dent (1998) argue, point and counterpoint are necessary to capture the complexity of the composite whole. "In the quest for a coherent account, it is tempting to suppress variety" (Ahrens and Dent, 1998, p.24), thus presenting the story as too unproblematic. As part of the data analysis, links and contradictions were actively sought and noted between different motivations and other coded sections and even within motivations themselves. These linkages and contradictions were incorporated into the narrative also.

Interviewee quotes were used extensively in writing up the narrative. This was intended to evoke the context within which the discussions took place. Although the researcher imposes structure onto the analysis right from the very beginning, the intention was always to tell a story through the voices of the interviewees. Giving the interviewees a strong voice in the narrative is essential if the qualitative researcher is to fulfil the metaphor of a traveller, coming home to tell of people's experiences in other lands (Kvale, 1996).

**Diagram 1. Process of Data Analysis (adapted from O’Dwyer, 2004)**



O'Dwyer (2004) notes that a detached writing style can lead to sanitised interpretations that do not reflect the messiness of qualitative research. "Essentially, your attempt at sense making is your attempt to tell a story that you have observed as honestly as you can" (O'Dwyer, 2004, p.403). Evoking the context by allowing the interviewees' voices to be heard and discussing in what fashion certain utterances were made gives the reader a sense of the richness and depth of the data. This would not be possible through a more detached writing style.

Once the inductive 'meta-story' had been written, a theoretical interpretation of the data was undertaken. Although discourse theory was introduced following the pilot study, this was not explicitly introduced into the data reduction or display phases of the main study. The main study was concerned with SER and the motivations behind it. Neo-Gramscian discourse theory is the lens through which those SER motivations have been understood. The integration of the 'meta-story' with the Neo-Gramscian framework occurred after the 'meta-story' had emerged as a narrative in its own right.

We can only ever have a partial understanding of the world (Gadamer, 1979). The theoretical lens used is therefore only one of many potential interpretations of the data. Of course, the interview protocol, and therefore subsequent data analysis, was framed around issues that were of relevance to the Neo-Gramscian framework. However, before seeking to make a theoretical interpretation of the data, the data itself underwent an interpretation that was quite detached from that framework. The role of theory is to illuminate the social world, but we must try to illuminate the social world as best we can with our background theorisation first of all. Then that theorisation, or inductive 'meta-story' which has flowed from the data, can be interrogated with a more explicit theoretical lens so that a richer understanding of the social world could be reached. Ahrens and Dent (1998) note that observations should move to theoretical considerations, not vice versa.<sup>9</sup>

Outlining the more descriptive meta-story prior to the theoretical interpretation allows the researcher to present the research material "in sufficient depth so that the links between theory and data can be traced. The researcher has an obligation to convince the reader of the validity of the case description and analysis" (Ahrens and Dent, 1998, p.9). Integrating the theory with the data earlier would preclude alternative interpretations of the same data, both presently, and in the future.

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<sup>9</sup> The researcher was conscious of the possibility that the theoretical lens would perhaps not 'fit' or that another lens would perhaps in the end offer a richer interpretation of the data. These concerns translated into the detachment of the intended theoretical lens. This detachment seems, on reflection, a very pragmatic way of coming to an understanding of the data that may convince both the researcher and his audience.

The meta-story, although clearly framed from the outset by issues pertaining to discourse theory, may still be interpreted in various ways. Moreover, allowing the data and the theory to extensively interpenetrate each other too early on would yield an epistemologically questionable interpretation that, nevertheless, would seem to depict reality: “the result may be so compelling as to obscure the inescapable truth that the reality conveyed, however carefully researched, is only one of a possible number of interpretations” (Ahrens and Dent, 1998, p.10). Critical reflection is essential and tightly bound theoretical constructs would narrow the range of insights permitted to emerge from the research study, thus severely constraining the extent to which new experience can influence fore-understanding.

The Neo-Gramscian theory was therefore explicitly re-introduced after the derivation of the meta-story. Although initially drawing upon the theorisation of the pilot study, the Neo-Gramscian framework itself developed over a period of time, and constantly developed up until the submission of the thesis. The theoretical framework employed to interpret the main study is therefore much more sophisticated than the ideas used to raise questions during the interpretation of the pilot study. Throughout this period of framework development, the data was revisited several times, although the meta-story remained unaltered.

## **6.6 Summary**

This chapter has sought to outline the way in which the main study was framed theoretically and methodologically; and the way in which it was actually carried out. Building on the pilot study and the insights derived from that study, the main study explored in more depth and breadth SER motivations of UK companies. Focus for that exploration was provided by a Neo-Gramscian interpretation of the pilot study. The Neo-Gramscian interpretation implied that SER may be driven by a business case and that SER managers may operate within an ideological win-win paradigm. Should this be the case, the impediments to fuller accountability may be thought of as ideological. Whether these impediments exist will be speculated upon in the next three chapters which outline the results of the data analysis, particularly around the themes of SER motivations, limits and conflicts. These three chapters essentially constitute the meta-story. The significance of the insights yielded from the main study will then be speculated upon from a Neo-Gramscian perspective where managerial ideology is placed in a Political Economy context. The intention of laying out the results and the Neo-Gramscian interpretation separately like this is to render the process of theoretical interpretation more transparent.

## **Chapter 7**

### **SER and CSR Motivations**

#### **7.1 Introduction**<sup>1</sup>

This chapter will outline a substantial part of the ‘meta story’ that has been interpreted from the interviews. Specifically, the chapter focuses on the discussions with interviewees around their perceptions of why their organisation produces a SER. The chapter contains occasional epistemological reflections on the construction of the narrative, where it is perceived that these will be useful and where they do not break the narrative’s flow. A more substantive discussion of the process underlying interpretation can be found in chapter 6 where the data analysis process is delineated. Rather, the narrative will be presented in a manner that reflects the conversational style in which the interviews took place. Quotes are therefore used extensively, both in order to evoke the context of the interviews and to elucidate the empirical basis for the interpretations that have subsequently been made. Essentially, the ensuing narrative represents an attempt to, as honestly as possible, tell a story that the researcher has observed (O’Dwyer, 2004, p.403). Reflections on the analytical inferences drawn will be kept to a minimum and discussed in more depth in the final three chapters of the thesis (see chapters 10, 11 and 12).

The interviewees seemed to find it difficult to separate reporting from responsibility in many instances. Even for the few who from the outset made a distinction between the two, they often saw reporting as inextricably tied up with responsibility, and vice versa. The interviews therefore eventually focused on both SER and CSR, being both reporting and an organisation’s social and environmental activities more generally. The protocol thus evolved slightly as the main study progressed. Nevertheless, in spite of the conflation of both SER and CSR, for the sake of clarity an attempt was made during the data analysis and write-up to distinguish, where possible, when the interviewee was referring to reporting, responsibility or both.<sup>2</sup>

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<sup>1</sup> Throughout this and the subsequent two data chapters the reader is encouraged to refer to the mind map which was constructed from the data analysis process (to be found in appendix 3) and the motivations matrices (to be found in appendix 2).

<sup>2</sup> It was not always possible to infer these distinctions either during the interview or during the process of analysing the data. The ensuing narrative therefore does not succeed in outlining separate discussions on SER and CSR, or in clearly delineating where one ends and the other begins. Indeed, whether the two should be viewed as distinct at all will be reflected upon in more depth in chapter 11.

## **7.2 Overview: Business Case**

Although the research was focused on exploring the business case, the interviewees were not led inescapably into business case articulations. Indeed, the applicability of business case rationales was itself problematised from the outset. The main focus of the interviews was on motivations more generally, with the business case presented to the interviewees as one possible motivation. The interviewees were asked whether there was a business case for their SER and CSR and what was driving these besides a business case. The general line of questioning was along the lines of “why are you doing what you are doing in this area of CSR and why are you reporting on it? Is there a business case for doing so”? The interviewees were therefore lead into a discussion of the business case, although they were also invited to confirm or deny whether or not there was a business case. It is strongly felt by the researcher that the ensuing narrative’s relentless focus on business case reasons reflects overwhelmingly the habitual propensity of the interviewees to think and talk in terms of a business case rather than it does the researcher’s invitation to the interviewees to talk about a business case.

In articulating the nature and details of this ‘business case’ below, the intention is not explicitly to understand what the different drivers are for each company or industry sector. Although the business case certainly does vary across firms as they face different sets of pressures and opportunities, the primary intention here is to explore the pervasiveness of a business case rationale *per se* for reporting and responsibility. Thus, the focus is not on dissecting the business case to understand what it is so much as it is on showing how the business case, as represented by the various business drivers, appears to dominate CSR and SER. In turn, the implications for society of SER and CSR being driven primarily by business reasons will be considered in detail in the discussion over limits and perceived conflicts, and in the final three chapters.

Although the researcher generally used the term “business case” before the interviewees did, the interviewees immediately seemed to feel very comfortable using that specific terminology. Indeed, no interview responded by asking the researcher to describe what was meant by the term business case. Rather, the interviewees generally proceeded from this point by describing what the specific business case was to their company. It should be noted, however, that there was not a general agreement by the interviewees over what constituted a business case. The one interviewee whose firm did not produce a stand alone SER, and had no plans to do so, actually questioned whether organisations were indeed reporting as a function of the business case for doing so. She suggested that, because some organisations had to report in order to satisfy angry stakeholders, then that did

not constitute a business case.<sup>3</sup> This is to be contrasted with the view of the vast majority of interviewees who viewed the business case as both a reactive and proactive seeking of business benefits.

Furthermore, there was not univocality among those interviewees whose organisations did produce a stand alone SER, or comparable disclosures. One interviewee implied that it is only that which organisations *are* forced to do by law that constitutes a business case:

*“I don't think there is (always a business case) because a lot of what we do is over and above what is required of legislation. A lot of the things we do there isn't any legal drivers. So it depends what you mean by business case.”* (CSR Manager, Utilities)

Nevertheless, in spite nuances like these, the majority of the interviewees referred to the business case as constituting anything that yielded business benefits. This is the way in which the term ‘business case’ will be used here, meaning something that is commensurate with advancing or protecting business interests. The advancement and protection of those interests are presumed to constitute a business case irrespective of whether they are achieved either proactively or reactively.

The individual drivers identified throughout the course of the data analysis were collapsed into more general intuitive themes (see chapter 6 and the mind map). Six of the seven groupings relate overwhelmingly to business-centric motivations. There was actually minimal discussion of motivations where an activity or initiative was undertaken apparently in the absence of a commercial motive, with most interviewees seemingly outlining perceived motivations as though it was self-evident that they were undertaken for business reasons. Those business reasons are of a varying nature. Very few of the business drivers articulated were tangible or clear-cut. For example, only a few of the drivers

#### **Motivations for SER/CSR**

- Socio-environmental
- Business Efficiency
- Financial-Market Related
- Reputation Risk Management
- Stakeholder Management
- Peer Pressure
- Internal Champion

were related to how SER and CSR impacts directly on the financial bottom line in terms of cost savings and improved efficiency. Although many interviewees recognised that cost savings could be made and that there was a short term business imperative for their SER/CSR, they recognised that the majority of their initiatives were not amenable to cost-benefit analysis:

<sup>3</sup> Miles *et al* (2002) use the term “business case” (p.90) largely when talking about the pro-active attainment of business benefits. This can be contrasted with their characterisation of other SER motivations that were not considered part of a “business case” (p.90) or were not “business drivers” (p.90) such as reacting to stakeholder or government pressure. Furthermore, other pro-active benefits such as increased staff morale were not considered “business drivers” either. Miles *et al*'s (2002) use of the term “business case” is therefore somewhat problematic and not clearly defined.

*“I think there is a business case but whether it is clear or not I think is a different thing. I think in some areas it is clearer than in other areas. Because there is so much under this heading of SD, you can't treat it all equally.”* (Sustainability Manager, Extractive)

*“So as long as it fits in with our overall strategy then that is the business case in itself. We have projects that don't fit in necessarily immediately but when you look at the long term impacts then that is actually going to be a business benefit.”* (Public Affairs Manager, Aviation).

*“We have 5 core values that are useful in this area. One is the environment but also customers, people, competitiveness, reputation. So if you are doing a project, you can make a business case for it in terms of how it adds value against those 5 things. Now reputation is a very hard thing, very intangible and difficult to put an economic price on it but you can make the case, because we have got these 5 core values, that we are doing something for environmental reasons but it has added value for reputation, competitiveness, whatever.”* (Sustainability Manager, Utilities)

As the mind map indicates (see Appendix 3), most of the talk was around less tangible factors than cost such as improving relations, engendering trust or differentiation. In saying that, most interviewees recognised that this fed back eventually to the bottom line.

*“Highly significant for us in minerals is your past reputation is taken greatly into account when you go for planning permission. Reputation for us is, as far as planning permission goes, a vital piece of our business, we have to get it. So if we don't have all our ducks in a row on this, we don't get planning permission and all our business goes to shit. It is quite integrated but all of this social and environmental performance improvement is actually a means to an end and that end is to make more money.”* (Environment Manager, Extractive)

*“There is a hard nosed, there is a business case behind it.”* (CSR Manager, Energy)

There was a general consensus among the interviewees that although the long-term figures are, at times, difficult to quantify, SER and CSR undoubtedly yield significant business benefits. Many interviewees viewed CSR as the explicit and formal linking of social and environmental initiatives with business goals. In that sense, CSR did not represent anything new. In fact, it was argued commonly that the organisation had been doing CSR for some time, without actually using CSR terminology:

*“This comes back to the point you made about what you use reporting for, what is it done for. It shouldn't be there to win awards or to tick boxes. It is about making sure that the business is being run in the best interests of the shareholder and the interests of the shareholder are met by running the business in the most professional way and making sure that issues that now have a label of CSR, but which in most cases we have been doing for some time. You know, we have just said 'oh, that is CSR', but it shouldn't really have that, it should be fundamental to the way the business runs. It is just that the world at large has decided to put a label on it.”* (Communications Manager, Property)

*“[S]omeone sent me a questionnaire that is doing a PhD and it said 'how long have you had in place CSR practices', and I said 30 years, at least. It is only the last two or three years we have called them CSR.”* (CSR Manager, Energy)

*“It was something we actually picked up, you know we floated about a year ago, July 2003. It was only really then that we started thinking about CR as one of those areas you are expected to have an interest in and talk about as a FTSE100 company, or as a plc, but especially as a FTSE100 company. So we at [company x] have been doing CR, without actually calling it that, for 10 years or more. We have a number of programmes that have been running for 10 years. It is only now that we are lumping them together and communicating them to the outside world in a CR format.”*  
(Business Planning Manager, Services)

These comments were typical, and on their own suggest that CSR is merely the re-branding of ‘business as usual’. However, the arrival of the label of CSR has been accompanied by a view that it should be embedded into business practices. The interviewees suggested that they did this by looking at previously disparate elements of the business, such as ‘Environment’ and ‘Health and Safety’, in a more integrated manner. This was communicated by the interviewees when they talked about their CSR or Sustainability strategies.

*“So I actually took on quite a big programme at the time with lots of people running around doing lots of stuff. So for example, the year before I took over we had 94 targets I think it was...So there was stuff happening all over the place. But different bits of the business, we had 9 business units at the time. Some were doing 9 targets, some were doing 16 and I got them on one sheet of paper. There were all parts of the business doing different things.*

*What we needed was to try and converge those a bit. So perhaps what was needed was a set of targets that applies across the business as a whole. So we brought the targets down....I think we had 36 the next year, which nearly all the bits of the business aligned to. And then we have got 18 the following year. So we are running at about 16 or 18 targets now and they are right across the business. And they are not just environmental targets, they include broader sustainability targets.”*  
(Environment and Engineering Director, Construction)

*“But in terms of, the biggest change is in actually co-ordinating the way in which things are done. We have always managed our health aspects, our environmental impacts, our safety performance. They have always been managed but it has been in silos...So it is a case of bringing those together to strengthen your position.”* (CSR Manager, Logistics)

The ‘integration’ and ‘embedding into the business’ of CSR activities and reporting was justified in terms of how it helped them to get a better handle on the suite of issues under the CSR banner, so that they could be managed better. Generally, it seemed that this was in order to more systematically map CSR into regular business systems and ways of doing things. One interviewee, when talking about integrating CSR throughout his organisation, expressed the view that CSR was about finding benefits:

*“I do not want a CR department here. I want CR on everybody's door, not just on a door. That is actually a challenge for an organisation. I think there is a danger that if you have got 4 offices labelled CR, all hot potatoes go there and it becomes a management defence type of group rather than a proactive ‘where are the benefits?’”* (Marketing Director, Pharmaceuticals)

Similar views were expressed by another interviewee when talking about the formulation of their “sustainability strategy”:

*“What we were able to say was 'how do we measure that, are we getting benefit from measuring this, does it actually link in to delivering business benefits'? And the final thing on the strategy diagram was 'does it actually link in to our business objectives? Are we doing something for operational people and adding value?'. Before we did that exercise and drew that out, people were looking at the environmental folk in the business, and I suppose some of them were called sustainability people, and they were looking at sustainability as being environment plus, and they were looking at them as being nice to have, nice cuddly people that are doing things right, but it is not real business. I think the change that has happened over the last two years since we drew the strategy model is that people can see that doing that stuff actually adds value to the business.*

*And it is almost a vicious circle, because if we are doing things that adds value to the business then it helps the business either lose less money somewhere, or make more profit somewhere and that all goes round the block again in terms of people being more satisfied and more motivated. They will produce a better job. That is what we have begun to learn.”* (Environment and Engineering Director, Construction)

Others were not so far developed in terms of tying their CSR strategy to business drivers, but they were on the road to doing so.

*“I think we have quite a detailed risk mapping process and I don't think we have yet brought CR and risk mapping together. I think the structure exists in risk mapping to be able to do it, and creating a CR policy team lets you do it more but we have not yet brought those two things together. That is part of the reason for having a CR policy team, to take existing business processes and bring them together.”* (CSR Manager, Oil and Gas)

### **7.3 Socio-Environmental Drivers**

Only one interviewee (from the Publishing company) stated that socio-environmental considerations were the primary motivation behind his company's SER. Indeed, socio-environmental motivations<sup>4</sup> did not feature at all in the articulations of many interviewees. The majority of interviewees articulated motivations for their organisations' SER and CSR purely in terms of strategic considerations. However, there were some individuals who, in addition to business case motivations, also articulated seemingly socio-environmental motivations for their activities and reporting. For example, one interviewee recognised that their job was to make money:

*“But how we do that is important to us. So does our workforce reflect the community around us, does our supply base reflect the community around us, how do we work with governments? That is particularly important because gas is sometimes located in unpleasant or difficult [socio-political]*

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<sup>4</sup> ‘Socio-environmental’ driver is used here to refer to motivations that seem not to be primarily commercial or business case oriented. That is, where the main driver is articulated in terms of social or environmental welfare considerations and seemingly unrelated to strategic concerns.

*environments. Particularly if you are dealing with countries where the government's own governance is poor.*” (CSR Manager, Oil and Gas).

One interviewee from the energy sector suggested that as long as they did their job effectively and efficiently, giving people safe and reliable energy then this would benefit society much more than the £9m they give to community investment schemes. This may not have been a motivation so much as a justification. Another was fairly adamant that socio-environmental concern played a big part in what they did:

*“I am not saying this lightly, [company X] I believe inherently is a good organisation and has a desire to be good.”* (CSR Manager, Energy)

There were also a few interviewees who saw socio-environmental concerns as inter-linked with the business case:

*“I think a lot of that is basically risk management for us. But it is sometimes difficult to disentangle that from what we would regard maybe as moral values and being responsible. I think very often it is quite difficult to place marked boundaries on this.”* (Sustainability Manager, Extractive).

Another interviewee who evoked a socio-environmental driver did so whilst recognising the boundaries in a somewhat clearer fashion:

*“Waste minimisation, no one has really driven it as a business case. I am saying that it should be done as an environmental case with a business spin off...that was done for environmental reasons but to sell it, financial benefit to the company.”* (Environment Manager, Utilities)

Another interviewee evoked socio-environmental imperatives, but he was fairly clear that it was not the primary driver, risk was:

*“The second main driver or imperative (after risk management) is probably the moral imperative. Or it is also driven by individuals, visionaries, people who believe it is the right thing to do, or perhaps people who have been kicking around from the risk scenario, they understand that there is a moral obligation for them to do these things above and beyond the SWOT analysis and mitigating potential risk.”* (CSR Manager, Oil and Gas).

In total, a socio-environmental imperative of some sort or another was evoked in 11 of the interviews. However, the discussion of socio-environmental motivations was limited as the interviewees, it seemed to the researcher, showed an overwhelming preoccupation with the business case. In fact, where a socio-environmental imperative was evoked, it was usually tied up with some business case argument. It was only in one instance that the ‘socio-environmental case’ was held up explicitly as the primary driver for what a company does as regards to its reporting and responsibility. In that case, the interviewee repeated persistently that CSR was the “right thing to

do”. However, it appears as though “the right thing to do” is not entirely detached from the business case:

*“One of our worst nightmares would be to find out that somewhere in our supply chain would be to find out that child labour is used. Because that is a reputational matter and [company X] is a company that just won’t truck any of that. It is against the ethic of the company.”* (Purchasing and Internal Affairs Director, Publishing)

To qualify this, even if child labour was to be found in their supply chain, it would seem that this could also be justified:

*“There is an argument which is a very interesting one, which is in some countries the only working person in a family is a child and if you insist on that child not working on your product, that child loses that job and the family has no income at all. That happens in some parts of the world. So is the family better off by having child labour or not. It is a moral and practical judgement. We haven’t come across it for us, but I bet you it happens.”* (Purchasing and Internal Affairs Director, Publishing)

So whilst not standing for child labour, the interviewee appears to be leaving the door open to justify what they do either way. Nevertheless, he also emphasised that they do what they do in the CSR arena because they “care”, that it is not a hard-nosed business thing. This is not to say that they are not under pressure to be responsible and show that they are responsible:

*“So there are pressures, but essentially we think that we are doing it because it is the right thing to do.”* (Purchasing and Internal Affairs Director, Publishing)

### 7.3.1 Transparency: Moral Duty or Strategic Concern?

Transparency was mentioned specifically in relation to SER. Four interviewees talked about the need to be transparent as a driver, or necessary requirement for their reporting.

*“What we just want to do is represent a real and accurate picture of where we are. That is what we are trying to achieve.”* (Environmental Manager, Extractive)

*“Certainly members of the public don’t appreciate the activities that we are doing in this area and therefore, by definition, have got a view of us as a socially responsible company that may or may not be the reality. But I think it is more a case of getting out into the public domain what the issues are, what the initiatives are, what we are doing about these risks in the CSR arena. So part of it is getting out into the wider domain what we are doing, and if that opens up a debate then great. In terms of trying to convince people of how much of a responsible company we are, well that is an element I suppose. It is a relatively low element of it. It is more just a case of getting things out there. If that does convince people that we are a responsible organisation, then that is an added bonus, because then they appreciate the areas which we are working in. But it is not a primary driver.”* (CSR Manager, Logistics)

It is not clear from these statements whether the stated desire for transparency relates to a moral imperative to be accountable to society and stakeholders, or whether ‘transparency’ is driven by more strategic, business-related concerns, or both. One of the other interviewees that invoked a transparency argument was less ambiguous about what end this served:

*“When we haven't done something that we have said we will do, we will always report why and the status of what we have done. If we suddenly let it drop off the report, people will pick up on it and think we are hiding something. So for us to be open and transparent in our report is key. We don't want to get tripped up. We haven't done anything where we can get tripped up so why put ourselves in a situation where not putting out all the information would cause us problems later.”* (CSR Manager, Financial Services)

The last of the four interviewees that invoked a transparency rationale similarly saw a strategic need to be transparent, although he felt that this should feed into their underlying activities, making them more responsible as well. Thus, he implies that both moral duties and business concerns can be mutually enforcing:

*“Again it goes back to the transparency one. I think it is far easier to tell your own story, good or bad, than being exposed. So I think there is a huge transparency argument. What is disappointing is you see some high profile ones where a company has a good reputation on the CSR front and it is not fed into their business operations. That is something again which is cultural values and hopefully one that we won't fall foul on.”* (CSR Manager, Energy)

The very fact that the word transparency itself was used may suggest that the word has been appropriated by business to some extent. Nevertheless, it was not clear whether transparency can be regarded as a socio-environmental imperative or a business case imperative.

#### **7.4. Business Efficiency**

This motivation refers to the ability of SER or CSR to help manage physical business operations in a more efficient fashion, ultimately resulting in a direct and tangible impact on the bottom line. For example, six interviewees said that reporting on their social and environmental performance was tied up with improving their performance in that regard. In some cases it actually helped to identify impacts that needed to be managed.

*“It is a bit like the AR and accounts, you know, 'that figure isn't very good, we need to work on that'”* (Environment Manager, Extractive)

*“The objective is to improve energy efficiency; the objective is not primarily to improve the reporting of energy efficiency. We actually want to be more energy efficient.”* (Communications Manager, Property)

For others, the report was more of a manifestation of the fact that they are managing their impacts, although the fact that they report acts as an impetus to do so.

*“Well I think there are two ways of looking at this. The way that I look at it is you are reporting on the outputs of the way that you manage your impacts. So to me it is like, it is not a vehicle in its own right, there for its own sake, it is part of your overall management processes and systems. So if you are managing your social and environmental impacts properly then you will have methods and systems for doing that. As a result, you should be reporting on your social and environmental impacts externally because they affect lots of people and our stakeholders are interested in them. So I see it as the end point really. It is saying here is all the management work that we have done during the year, here it is.”* (CSR Manager, Utilities).

In turn, the managing of social and environmental impacts could be justified in terms of the cost savings that accrue. Eight interviewees cited costs as a driver of their SER/CSR to some extent.

*“There are also opportunities out there that help constitute an immediate business case. There is something that is called the CDN (Clean Development Mechanism) that can be used to generate an incentive in developing countries for instance to reduce emissions. So it is important to develop an understanding of that among managers of the opportunities and risks and the costs involved in this area.”* (Sustainability Manager, Extractive)

*“Some of the things, particularly on the environmental side. Some of this is about cost saving. That is again not a particularly strong argument I don't think but obviously in terms of energy efficiency, energy consumption you can actually demonstrate that you are saving money.”* (Sustainability Manager, Financial Services)

*“Even in terms of a financial bottom line, and the environmental perspective, the savings, the potential savings and the realised savings run into multi-million pounds purely because of the economies of scale of our business. I mean, our sickness and absence is costing us two hundred and fifty million pounds a year. So they are huge figures that we are talking about here. So actually bringing in a co-ordinated approach is definitely having an impact.”* (CSR Manager, Logistics)

Another interviewee points out that the bottom line can be impacted upon positively in various ways:

*“If you looked at it on a true business case, does it increase our profits, certain areas of it does. So in the last couple of years we have invested quite heavily in renewable energy. Renewables are all being encouraged with the renewable energy certificate so if you look at our profit and loss account you will see that there is an ROI for renewable energy.”* (Sustainable Development Director, Utilities)

Cost savings were not merely talked about with respect to eco-efficiency type arguments. Health and Safety was also mentioned as an important area where cost savings could be made by four interviewees. However, it was also noted by these people that Health and Safety performance was part of, not merely managing costs, but of wider strategic importance also:

*“I think you can develop a business case for safety in terms of how much it saves you in terms of lost downtime when you have an accident, the management focus that it requires, the compensation that it requires. Those sort of narrow things themselves go a long way towards making a business case but I think that a lot of what is happening in this area of Sustainable Development is looking to the future. I think it’s fair to say that we want to, where we can, head off future legal cases against us.*

*You know of course what the position of the tobacco industry is at the moment. Mining companies and other industries have suffered similar problems with asbestosis. It is not inconceivable that the same thing could happen with regard to safety. So a lot of what we do here is to position the industry, and this company in particular in a way to limit future liabilities. That is the way we think things are moving, which does constitute a fairly firm business case. Well, it does constitute a business case I think.”* (Sustainability Manager, Extractive)

*“It just makes good business sense. We have focused in the past and will continue to do so in the future, on safety. Now part of that is the pragmatic not wanting to kill anybody but actually having safe operations means that you recruit people, because you are an attractive employer; you are perceived by communities as being a safe operator therefore they are happy to have you there as a neighbour.”* (CSR Manager, Oil and Gas)

Cost savings and narrow financial wins were therefore considered important although the business case, in the main, seems to be found beyond short term, direct financial impact parameters.

### **7.5. Financial Market-Related**

This sub-group covers the motivations of reacting to pressure from the market, seeking share inclusion in Socially Responsible Investment (SRI) indices or league tables and differentiation.

About half of the interviewees mentioned market related reasons for their SER and CSR<sup>5</sup>. Ethical investment in particular was seen as a driver.

*“That is becoming increasingly important. That is then what you have to put into the ethical part of investment. Where do you invest your money if you want to invest in a company that is environmentally safe...One could actually say that if you are managing environmental issues, then it demonstrates as well that your management of the business is good...So if you can demonstrate that you are managing the environment and compliance, then it demonstrates that you can manage the business. People then are more likely to invest.”* (Environment Manager, Utilities)

Eight interviewees stated that their reporting specifically was driven by a perceived desire for information from the marketplace or that, by reporting, their market performance actually improved.

*“We have done some work with some external stakeholders, in particular some investor stakeholders to see whether they give [company X] a better rating because of it (the report). It*

<sup>5</sup> Generally, the coding of this section was done on the basis of where interviewees explicitly mentioned city pressures or ethical investment funds. However, in some instances it has been inferred from the context of what the interviewee was talking about that they were really articulating a motivation that directly related to the financial markets. Where this inference did not seem completely convincing to the researcher, that dubiety has been presented explicitly in the narrative. This was the case when discussing differentiation, for example.

*enhances our reputation. I think we can demonstrate that it is a positive in that respect.”*  
(Sustainable Development Director, Utilities)

*“Now that we are listed, that has had a big impact, not just the report, the report previously has been just on water and waste water business. Now that we are listed...the scope of the report is now wider. But also in terms of the amount of questionnaires that we get in, interest from investors. So now we are doing the Dow Jones Sustainability index, FTSE4Good, Insight investment, there is a biodiversity index and we have been asked to do a health and safety one. So there are now more demands on us than there were before we were listed.”* (Sustainability Manager, Utilities)

Another interviewee too mentioned that their impetus to report came from when they listed on the London Stock Exchange five years ago. Indeed, he conceded that should they not have listed in the UK, they would most certainly not be as developed in their thinking on sustainability generally as they are now. Two further companies that have listed over the last decade said that doing so has influenced their reporting, with ethical investors demanding more information.

One interviewee recognised the market’s demand for information somewhat reluctantly:

*“Obviously we are trying to respond to this additional need for information, but there can be a frustration because the questionnaires are very general, they have to be. But they don't necessarily address our business. You get to the stage where you say 'well none of those boxes are relevant for me but if I don't tick one of them there will be a minus somewhere in the system'.”*  
(Communications Manager, Property)

Another interviewee downplayed the importance of the report and pointed towards their responsibility more generally, of which reporting was only a part:

*“But generally speaking...it is not the report that is (influencing) it is actually doing it, it is being a responsible company. Being serious about being responsible, delivering and demonstrating all the areas where we are actually making progress, it does mean that we are being included in more (ethical funds).”* (CSR Manager, Energy)

Another motivation that was mentioned explicitly by five interviewees was differentiation. One Environmental Manager mentioned how they used their report as a “competitive tool” to differentiate themselves. One more interviewee mentioned specifically that their report helped in this regard:

*“I think it shows that we are being transparent, we are being open about what we are doing and that we are trying to improve year on year what we are doing. I think that to some extent that will earn more brownie points than a company that refuses to report, wont tell you what they are doing, keeps their cards close to their chest.”* (Public Affairs Manager, Aviation)

The remaining three interviewees who mentioned differentiation as a driver did so with reference to CSR generally, not singling out reporting as a key mechanism for achieving this. They talked of

how their approach to CSR/SD helped them to be differentiated as ‘environmental leaders’ in one case, and ‘experts in energy efficiency’ in another. One interviewee was very clear that differentiation, as a “competitive element”, was the third driver for their CSR behind “risk management” and “moral” reasons (CSR Manager, Oil and Gas). It should be noted as a caveat that only a couple of the interviewees explicitly stated that they wished to be differentiated by shareholders or ethical investors. Three of the interviewees described differentiation in relation to being competitive. Whether those three interviewees were referring to being differentiated by investors or not, was not clear. Equally plausible may be that these organisations are seeking to differentiate themselves among their customers, being the other obvious stakeholder group among whom organisations would seek to remain competitive. This link to customers is evident in the mind map.

The market therefore appears to be driving SER and CSR to some extent. However, it is not necessarily the mainstream of the market that is interested in this. The Marketing Director of a pharmaceutical firm said that “CR” is not on the radar of mainstream investors and that the market is more likely to punish firms for negative performance than it is to reward companies for the good that they do. Thus, it is implied that CSR is more about avoiding scenarios that will subtract value from the company than it is about pro-actively seeking benefits that add value. In this sense, the business case may be seen as a defence mechanism or, as is described below, a risk management tool. Nevertheless, the Marketing Director outlined how his company was proactively trying to convince mainstream investors of the ‘value’ of their approach to CSR. He felt that they would recognise it eventually. Another interviewee recognised this too, and mentioned how they were including in their report now, and beginning to manage activities, that will “*later on become meaningful to investors*” (Sustainable Development Director, Utilities).

### **7.6 Reputation Risk Management**

Both Reputation and Risk Management have been grouped together here because of the significant crossover between the two. Although coded separately, the interviewees often talked about one in the context of the other. For example, some interviewees saw (what they described as) the wide ranging field of risk management as being ultimately conducive to maintaining a good reputation. Conversely, others saw reputation as a risk itself that needed to be managed. However, it should be noted that, although there appears to be significant crossover between the two on a higher level, they may also be considered distinct at a lower level. Risk management refers to a wide range of issues that are important to business in their own right, irrespective of whether they are ultimately conducive to enhanced reputation or not.

Ten interviewees talked specifically about risk and the role of CSR in managing risks. These ‘risks’ are issues that may arise, or become more important, in the future. Although not necessarily impacting on the bottom line just now, these issues may do so in the future. It is therefore better to reduce the likelihood of negative publicity or failure to meet some future expectation. ‘Covering one’s bases’ may be an appropriate metaphor for risk management as the basic rationale is to not be left exposed to threats. For example, the Sustainable Development Director quoted immediately above, when talking about issues that will “later on become meaningful to investors”, was referring to his company’s biodiversity management. Both he, and another interviewee from a mining company, expressed the viewpoint that biodiversity could be the ‘next big thing’ after climate change. These companies are under some pressure to deal with biodiversity now, but that pressure could well escalate in the future. They want to be in a position where they don’t get caught out.

*“An example of an area that is really on the limits is human rights. In that we are predominately a UK and US based business, Human Rights obviously isn't as fickle in those countries as it is anywhere else in the world...However, the board took the view that we would want to get involved in a thing called Business Leaders Initiative in Human Rights...Is there a business case for doing that? In the immediate term there probably isn't. But would we want to be in a position, if in the future we are looking at opportunities in another country, then we have in place policies, processes and procedures, and make sure that we don't go in with our eyes closed. We are able to identify the risks. It is for a future possibility, which may not actually come out because our focus is mainly in the UK and US.”* (CSR Manager, Energy)

*“I have always maintained that there are roughly three drivers for people getting involved in CSR in the first place. The risk imperative is seen as the most obvious: risk to persons, risk to operations, risk to maintaining or not obtaining the license to operate from the community point of view. That is probably the first place and certainly most extractive companies start there. So to understand the risk and begin to address the risk and finally to avoid risky situations. That involves talking to people, understanding stakeholders. So they do their risk mapping and assessment and they put their management plans in place before they go into places and do things which may expose them to some of these risks...I think most extractive companies and [company X] is certainly one of them, started with risk when CSR started in 1997.”* (CSR Manager, Oil and Gas)

One interviewee used the language of risk in a slightly different way. Rather than managing current and potential risks, CR for them was about not taking too many risks:

*“We don't actually want to be no. 1 in CR. We want to be seen as a leading company in the area, but we don't want to be seen as the best. I'll give you an analogy of the competitiveness aspect. It is a bit like playing tennis. You know that you have got to serve the ball into the service court. You also know that if you hit the line, if it goes out, you are lost as you were. But you can also serve intentionally, and comfortably, in the middle of the court and the ball is in play. What we want to do, and what we want our people to do, we want to encourage them to hit the line, because that gives them the most competitive advantage. But to do that, they must know where the line is, and they must make sure that they don't go over it.”* (Marketing Director, Pharmaceuticals)

Knowing where the lines are means knowing where the legal and moral boundaries are. The interviewee went on to mention how the company advertises to patients in the US but, “regrettably”, not in Europe where there are more restrictions on doing so. Advertising to patients in Europe would, he says, increase both patient awareness and the company’s competitive advantage. ‘Hitting the line’ in this sense would mean trying to advertise within the restrictions that there are. However, this is a grey area that could go either way and, if the rules became more stringent on advertising and the lines changed, then the company would be left exposed outside of the court. Employees must therefore be careful not to do anything that is outside of the law. In this sense, not taking risks is actually good risk management. Of course this story also tells a lot about this company’s view of CR. For them, it appears as though CR is about yielding the maximum business benefit whilst staying pragmatically within moral and legislative boundaries. Being no.1 in CR seemingly means taking the most risks and therefore increasing the possibility of being exposed, and consequently relegated to no.10, or even no.100 in the event of legal and moral boundaries shifting slightly. Therefore, this interviewee argues that a much more comfortable and steady position on CR can be taken by not exploiting situations to the maximum advantage in the short term, but by taking a longer, more cautious view. Doing so, it would seem, is the best way to manage risks.<sup>6</sup>

A few interviewees talked specifically about the role of reporting in demonstrating good risk management.

*“Strategic risk management, there is good governance, good management, and all those proxies that are out there. They work and that is, I guess one of the reasons that we are reporting, to demonstrate to our shareholder community that we have controls in place.”* (CSR Manager, Speciality Chemicals)

Demonstrating good risk management in a number of cases seemed to be driven largely, although not solely, by pressures emanating from the financial market. In this regard, one interviewee bemoaned the pressure that they were under to demonstrate good risk management because it meant that he was forced to devote more time to reporting rather than performance improvement:

*“What we wanted to do was produce one every 2 years, with more stories, more time to collect the information. But such are the pressures of risk management that we need to be producing it more and more often.”* (Environment Manager, Extractive)

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<sup>6</sup> It is perhaps worth noting that this seems to be a somewhat perverse and idiosyncratic view of CR. On reflection, the majority of interviewees appear to subscribe to a view that ‘better’ CR means more cautious risk management. Although this is expressed by the interviewee above, his use of the phrase “no.1 in CR”, does confuse things a little.

A number of interviewees framed their whole discussion of SER and CSR within risk management. The Sustainability Manager of the building society outlined eight broad drivers for their sustainability programme but suggested that they could all be subsumed essentially under the umbrella of risk management. Similar sentiments were expressed by another interviewee:

*“I think it is fair to say that most of what we do comes under the heading of risk management”.*  
(Sustainability Manager, Extractive)

A sizeable minority of interviewees used the actual terminology “risk management”. This, in itself may have interesting linguistic implications. Combined with the inference that risk management seems largely market driven, it may be that the market is forcing organisations to, not only manage risks, but to talk the language of risk management also. One interviewee was fairly explicit that this was the case:

*“People always talk about ‘we have fully integrated our systems, we have a triple bottom line’, and all that, but that is just to make more money. Because they have been pushed into a position by their stakeholders or they are going to be pushed into that position by their stakeholders to talk that language. So people say we are going to talk that language now, because hopefully it will give us some strategic advantage. That is what you are seeing. You are seeing people jostling people for the marketplace that is reputation, to hopefully secure investment from very large funds, owing to being able to demonstrate excellent risk management in the medium and long term.”* (Environment Manager, Extractive)

Although only under half of the interviewees used the actual risk management terminology, almost all of them made some mention about managing current and anticipated pressures on them or satisfying stakeholder demands. Furthermore, maintaining or developing a good reputation is inextricably linked with risk management, as the above quote indicates. Fifteen interviewees talked specifically about reputation. In fact, all interviewees made some mention of either risk management or reputation as a driver for their SER and/or CSR. The crossover between reputation and risk management was expressed by one interviewee with regard to SER in particular:

*“We are a bit different in a sense that we are not lending money to companies that are running oil tankers or building pipelines. We are not into that sort of thing. We are primarily about lending money so that people can buy houses. So the risks for us are really all about reputational risks. So the perception out there is that we are a clean green organisation, that was before we did any of this stuff. I think this gap between perception and what is going on is actually quite a risk really. So I think that by reporting on it we are closing that gap a bit.”* (Sustainability Manager, Financial Services).

One interviewee described the report as a “strong reputational tool”. Others referred to it as a “reputation builder” or even a “marketing document”. The reports themselves are directed at a variety of audiences (see more detailed discussion of audiences below), and reputation was linked with things as diverse as planning permission, customer brand preference and community

perceptions. One interviewee described how the report was a tool for modestly improving reputation among shareholders primarily:

*“I think it adds to our overall reputation. But if you look at the buying decisions of investors and how important it is for buying decisions for the whole investment community, I would say it is a minority. It may make a difference to the top 5%. Other stakeholder impressions and understanding of [company X], again, I think it is just at the margin. It is not something, our reporting on social and environmental issues, that is mainstream and likely to result in people selling shares and buying shares. There will be some, but it is right at the margins. And for any shareholder who actually is, its 5% (of their decision), not 95%.”* (Sustainable Development Director, Utilities)

The importance of reporting and the information that feeds into reporting in enhancing reputation was further underlined by one interviewee:

*“I think in order to demonstrate our responsibility in this area we do need to have that information at our fingertips. So that is where we are at the moment, in terms of embedding it in the organisation to get wider sources of information so that we can demonstrate our commitment to responsible standards in areas that we haven't tackled so far. That to me, that is what I call integrating CR in the organisation. That is the sort of road that we are going down and I am very comfortable with that road.”* (Marketing Director, Pharmaceuticals)

Reputation seemed to be an important motivation for producing SERs for at least half of the companies interviewed. Reporting aside, some interviewees mentioned how it was their actual CSR activities that had an impact on reputation. The Purchasing Director of the Publishing Company mentioned how it would be a “nightmare” to find out that child labour was used in their supply chain. Another interviewee talked about how their involvement in a tree-planting scheme enhanced their reputation amongst the local community. Another mentioned how their actual “relationships with society” had an influence on brand and reputation. Some of the interviewees pointed out that not managing their risks would result in bad publicity and therefore have a negative effect on reputation.

The relationship between Reputation and Risk Management motivations and CSR and SER is therefore complex. In one sense, one could say that CSR seems to be the managing of risks whereas SER is the demonstration of that management. Thus, CSR provides the risk management whereas SER delivers the reputation. This appears to be true. However, such an analysis does not tell the whole story. CSR itself is perceived by some interviewees to both help in managing risks *and* in directly enhancing/maintaining reputation. Similarly, SER may help in identifying risks that need to be managed and so is not merely a reputation deliverer. There is thus much overlapping between SER and CSR as regards to both Reputation and Risk Management. These inferred overlaps informed the decision to treat Reputation Risk Management as one motivational grouping.

### **7.7 Stakeholder Management**

This is a very broad heading under which much has been attached. The various sub-groups of stakeholder management were coded separately (see mind map in appendix 3) under various intuitive schema. Firstly, there are the nodes pertaining to pressures felt by organisations from various stakeholder groups and society generally. Then there are the actual benefits that are accrued from deploying CSR/SER as a ‘stakeholder management tool’<sup>7</sup>. The coding initially began by simply attributing various sections of interview transcript to nodes pertaining to particular stakeholder groups. This was done on the basis of an interviewee mentioning a particular stakeholder group as significant, for whatever reason, in shaping their organisation’s SER or CSR. However, as the coding progressed, the data presented itself as more complex and the researcher sensed that some insights may be lost by maintaining the original coding schema. A distinction was therefore made between ‘pressure from stakeholders’ and ‘benefits accruing from stakeholder management’, as these appeared to be quite distinct things. Beyond this, there are the sub-groups relating to customers, employees and regulators. These three stakeholder groups were eventually accorded their own sub-groups in order to reflect the importance attached these groups by a number of interviewees.<sup>8</sup> Thus, this represented a return to the original coding schema, although each of these three stakeholder groups, by this point, each had their own sub-groups by which to make sense of the motivations pertaining to them (as is evident from the mind map).

We will deal here firstly with pressure felt, generally, from stakeholders. The majority of the interviewees talked explicitly about current and future stakeholder expectations as a driver for what they do in the CSR arena. Reporting in particular was cited by a number of interviewees as a reaction to stakeholder demands.

*“Stakeholders expect it, employees expect it, the communities expect it, our peers expect it, the government expects it. There is an awful lot of people out there who are watching. Because we are such a big company out there. Because we supply a lot of people with their life assurance, they want to know that we are a good company. And that is why we do a lot of what we do out there.”*  
(CSR Manager, Financial Services)

<sup>7</sup> This phrase has been constructed by the researcher rather than having been used by any of the interviewees.

<sup>8</sup> This is not to say that all interviewees talked in depth about these three stakeholder groups. Only a few interviewees went into detail on customers for example. However, the detail these interviewees went into can be distinguished from the passing comments that the same interviewees made about other stakeholder groups. The separate grouping of these three stakeholder groups therefore reflects the greater depth went into by some interviewees, rather than a greater breadth or number of interviewees who actually mentioned these groups. However, as a caveat to this, employees were mentioned in both more depth and by more interviewees generally than any other stakeholder group, with perhaps the exception of shareholders when talking about the audience for the report (see following chapter).

*“My view is that CSR is usually issues based within an organisation. So the biggest issue for [us] in the past has been [our] safety and environmental performance. That has been the biggest concern in terms of society's expectations.”* (CSR Manager, Energy)

One interviewee talked about stakeholder pressure in the context of the evolution of their reporting from environmental to sustainability reporting:

*“I believe it all starts in the late 1980s, when we first started to report on environment and sustainability. As we were reporting year on year the scope of what we were reporting on got wider and we actually realised that our stakeholders were interested in not just environmental but also social, economic, a broader perspective. We first published our sustainability report in [19XX] and that was really due to stakeholder demand, they wanted more information. It was very much that the world around us was changing around us and stakeholders demanded almost, for us to report more on the things we were doing.”* (Public Affairs Manager, Aviation)

There was much talk of reporting *per se* in order to meet societal and stakeholder expectations. A few interviewees went further to say that the actual form and content of their report was specifically influenced by specific stakeholder expectations. The CSR Manager of the speciality chemicals firm said that what they reported on was partly a function of what ‘society’ expected of them. Another interviewee talked of how they would tailor their reporting to meet country-specific expectations:

*“We wouldn't collect black empowerment data across the group, no. But trade union data, yes, disability data, yes. Even down to simple things like gender data, we don't collect across the group because it is not seen as big an issue in the States or here as it is in South Africa, it is huge. So we would need to get the basic data to be the same across the group and then have specific issues. So HIV/AIDS and Black Empowerment in South Africa and whatever they felt was pertinent to them.”* (CSR Manager, Financial Services)

Not everyone was clear that they were reporting in order to meet stakeholder expectations, however. The Sustainability Manager of the building society was quite clear that they were not under any real pressure to be reporting. In fact, their market research indicated that most of their customers, and society generally, did not have any idea about what sustainability was. Their SER and CSR activities were driven primarily by other business drivers. Similar views were echoed by the interviewee from the publishing company, who said that stakeholder demand had influenced, in part, their decision to produce a stand alone SER, but that this was by no means a primary driver. So stakeholder management may not be a significant rationale for everybody that does report. Then of course, there are the two companies interviewed that do not produce stand alone social or environmental reports but merely a few pages of social and environmental information in their Annual Reports. For them, they did not feel under pressure, from either society generally or stakeholder groups specifically, to expand their reporting.

It was not just reporting, but organisational CSR activities generally that were influenced by stakeholder pressure although, again, it was not always easy to separate a reporting response to stakeholders from an actual change in organisational activities response that was prompted by stakeholders.

*“If climate change is the biggest problem we face and if regulation is going to gradually increase, and not just regulation but I firmly believe that there will be other constraints on us, ultimately from consumers and our customers, the people who buy our materials, to use the natural environment more responsibly and to try and reduce emissions, then I think it is as well that we take, where we can, a leadership role on that and present the company as a responsible environmental player. So it is responding to future and existing pressures.”* (Sustainability Manager, Extractive)

With regard to specific stakeholder groups whose views or expectations that were identified as important, seven interviewees mentioned NGOs specifically. A couple of interviewees downplayed the importance of NGOs and one actually said that they would not be influenced by them unless they came up with sensible arguments:

*“They (NGOs) always like more information, yes. But we'll produce what we want to produce. [Company X] is an organisation that takes positions on various things, paper being one of them. That is quite well catalogued. Have we spoken to them, yes? Greenpeace were a bit naughty and tried to cherry pick...but that is common dialogue. We would prefer to be advised on paper sourcing by WWF, and we have an action plan agreement with WWF. That's fine, the Greenpeace people have their agenda and we are doing what we are doing.”* (Purchasing and Internal Affairs Director, Publishing).

Another Director, who conceded that he held a somewhat “dinosaur” view of stakeholders, refused to recognise NGOs as a stakeholder group and was somewhat antagonised by them:

*“As I said, there is a lot of pressure from NGOs to deliver. Employees get very angry about NGOs for example, having a pot at companies, that they don't understand the interface. They read in the papers what their neighbours read in the papers and they want to see a much more proactive response.”* (Marketing Director, Pharmaceuticals)

For this interviewee, NGO concerns were considered as far as they were relevant for investors and employees. Thus, NGO pressure, in this instance, was dealt with not as a legitimate source of concern in its own right, but instrumentally as a means of managing relationships with the more important stakeholders.

Ten interviewees mentioned government pressure as a key driver. For example, one interviewee mentioned how government pressure had impacted their reporting specifically:

*“I mean the whole Health and Safety section is based on the government drawing a line in the sand and saying 'the industry is now being placed under a hard target which is to halve the number of*

*accidents by 2006'. There has been an enormous amount of pressure on us from the government to improve HS. So as a result, we have got huge amounts of HS data in here.*" (Environment Manager, Extractive)

Another interviewee referred to government pressure as a driver of their activities:

*"The health and safety executive, we have been working quite extensively with them over the last year and also with the equal opportunities commission. So there are a few public bodies that we have been working with. Obviously they have not been directing us in terms of where we should be going with our overall CSR function, rather just with elements of it. That has certainly been a driver."* (CSR Manager, Logistics)

With the exception of perhaps shareholders and institutional investors, the government were the most cited stakeholder group in terms of who was effectively putting pressure on organisations to do whatever in this area. For two of the firms this may have been expected because their one shareholder was actually the DTI. However, the representatives of these firms both often talked about the government as an external entity in much the same way as the corporate representatives did.

Moving beyond general discussion around stakeholder expectation and pressures, the interviewees outlined various ways in which SER and CSR helped in managing stakeholder relationships. Five interviewees said that they were using CSR to try and change external perceptions about their business or industry. The interviewee from one of the energy companies, whose thinking about CSR was strongly couched in the pragmatic need to justify their form of power generation as a more 'sustainable' form of power generation than other forms, pointed out the role that reporting had in changing views of the industry:

*"So in other words, if we want to show, and this is not just [company X] but the industry as a whole, if the industry wants to show that it has a role to play in SD, it has to show that it is serious about CSR and sustainability. Again, that links through to, it is a very good justification for transparency in reporting performance."* (CSR Manager, Energy)

Another two interviewees talked about using reporting to change stakeholder perceptions that they felt were erroneous. In one case, the speciality chemicals firm was using its reporting to inform its "CSR stakeholders" that the nature of their business was primarily in refining, not extracting precious metals, and that therefore they were faced with a significantly different suite of CSR issues. The CSR Manager interviewed was concerned that such misconceptions lead to different perceptions of risk. In another, a Water company was using reporting to inform its stakeholders that sludge to land was not a problem; they had other outlets for it. One of the five interviewees downplayed the significance of their intention to change perceptions through reporting, saying that

it was more about their need to be transparent about what they were doing (see transparency above). Finally, the remaining interviewee stressed how although they were seeking to influence external perceptions (particularly those of investors as regards to the value of CSR), they were also looking to change the way that they themselves behaved. Thus, the implication from this interviewee is that SER and CSR are not purely instrumental means of getting stakeholders on board, but tools for organisational change also:

*“I see CR as an instrument for managing changing expectations. And I think that external expectations are changing around the pharmaceutical industry. There must be an internal response to that. If you have a mismatch between external expectations and internal values then you have a problem waiting to appear.”* (Marketing Director, Pharmaceuticals).

Three interviewees talked specifically about trust in the context of stakeholder relationships:

*“The whole CSR game is about trust...the mobile phone sector in general is trusted. So that means that your relations with the government are better because you are trusted. When the government is going to set up a new licence, we have a really good relation, they can trust you. It is also the employees feel that they are in the right company. There are different stakeholders, not only consumers.”* (CSR Manager, Mobile Phones)

Another of the interviewees talked specifically about reporting, whilst another pointed out that both reporting *and* responsibility were necessary for engendering trust with stakeholders:

*“There are two elements to building trust: one is to have the performance and the other is to have the transparency. If you take either of those bits away you are in trouble. So there is no point in having fabulous performance and not telling anyone, that's stupid. And there is no point reporting on nothing. So you have got to have both those elements. If you don't get the activities going in the first place we will have nothing to say. The activities are based on our interface between us and society: improved discussion and dialogue, identifying issues, practical or theoretical as we go along. So that is how it all is.”* (Environment Manager, Extractive)

In addition to those who cited trust and changing perceptions as motivations for their SER or CSR, a further four interviewees talked about how SER or CSR helped in strategically improving relationships with their stakeholders. One suggested that good CR was necessary for this, something that they *had* to do:

*“A utility has always had to work in this arena and therefore it has always been very much closer to society. We put transmission lines across people's lands etc. So the relationship between us and local communities has always been very strong. We have got this license to operate, sort of community ethos built in to them. Although through privatisation a lot of people who would have been in the public sector have gone, that sort of ethos is still there which is why you see, I think you see a lot of utilities at the top of the tree because they can't do their jobs unless they have close working relationships.”* (CSR Manager, Energy)

*“CSR is not rocket surgery, it is actually quite simple. We need to deal with a lot of things, alongside the operational and financial challenges to our business. A lot of that is around relations with governments, relations with communities, relations with shareholders, employees. Once you systematise that, so we developed this social management system which captures all of these things, it standardises the way we approach talking to communities, for example ... It is really, I think, down to how you behave and meeting the expectations of the communities where you work, the NGOs where you work, the governments where you work.”* (CSR Manager, Oil and Gas)

For some of the interviewees, these improved relations were seen as crucial to future acceptance of business planning proposals:

*“Because when you have good relations with the community when you put in a new mast, then when you want to put in another mast, you won't have problems.”* (CSR Manager, Mobile Phones)

*“I think it would be very difficult for us to go out there and say 'we want a new runway and terminal at Heathrow, and new runways here there and everywhere', if we didn't tell people what we were up to. People would be a lot more sceptical about what we were doing, they wouldn't understand it as much so it is extremely important for us to be open and transparent and if we make mistakes we admit it.”* (Public Affairs Manager, Aviation)

Another interviewee talked about the importance of maintaining good relations in the context of a potential future debate over who will pay for the Research and Development of pharmaceuticals:

*“Over 90% of all new pharmaceuticals come from pharmaceutical companies. How society manages that, and how that model evolves, is important for us. I think the more, this is where the whole CR agenda becomes important as well, because it becomes a whole question of partnership. The future of the industry is one of partnership: with payers, with government. I think that poor CR can sour those partnerships. It is an integral part.”* (Marketing Director, Pharmaceuticals).

In addition to the groups mentioned above, three stakeholder groups in particular were singled out by a significant number of interviewees

### 7.7.1 Customer Related

As mentioned above in the market driven section, talk about differentiation may, in some measure, be a reference to differentiation among customers. For the energy company that was differentiating itself as an energy efficiency expert, this was the case. However, this was by no means clear for all of the five interviewees who mentioned differentiation. Nevertheless, seven interviewees did articulate customer-related business drivers for their CSR or SER.

*“There are strong drivers to work with customers on these issues”* (CSR Manager, Energy)

A couple of organisations that were consumer oriented were clearly driven by customer concerns, although these were not considered to be hugely significant:

*“There is a growing band of green consumers out there generally. It is not a huge pressure from our customer base but there are some. Sometimes we get people going into a branch and asking to open an account and asking what our environmental policy is. Until a year ago we couldn't answer them. We could have told them what we do but we didn't have a formal policy. So that is one thing, there is some pressure from consumers. I think our perception is that given a choice between a green organisation and another organisation that has the same product at the same price, people tend to go with the green one. It is not a main driver”* (Sustainability Manager, Financial Services)

*“What we have is, not a link of attracting more customers, it is a link of brand preference. Customers would prefer you rather than others.”* (CSR Manager, Telecomms)

It was not only consumer-oriented organisations that made a link between CSR and customers. The Environment manager of a property company talked about their preparations for the ‘green’ house buyer. This was considered an important driver for their CSR activities, after government and city pressure:

*“Probably one that is underplayed is the fact that there could be sustainable consumers in the housing market for the next few years. If that happens then all hell is going to break loose. You know, the sales and marketing departments of all the house builders will be wanting to take advantage of that, to advertise in that respect. I can't say that that has happened yet...At the moment it is location, location, location. It's about power showers, marble surfaces in the kitchen.”* (Environment Manager, Property)

Another interviewee, clearly linking differentiation to a customer focus, talked about his company's integration of sustainability into a £650m PFI project:

*“The KPI for the client there was for us to produce a facility that enabled him to attract and retain staff. We didn't have any of this stuff when I was a young student or a young engineer. It was all about 'can we programme it in on time, can we get anywhere near the budget, can we do it without injuring too many people and it will it be to the right quality?' Well those elements are expected to be to a certain standard already. So this is the added value, the differentiator.”* (Environment and Engineering Director, Construction)

The role of the customer will be discussed in more detail around the audience of the report.

### 7.7.2 Staff Related

Nine interviewees in total made some link between their SER or CSR and business benefits related to employees. Five of these nine said that the fact they were doing things in this area increased staff morale.

*“It creates a sense of pertinence to a company. It sets the boundaries of what you as an employee can and can't do. It also gives an opportunity for people in the company to fill the social part that all of us have.”* (CSR Manager, Telecomms)

One interviewee talked about how the report actually helps to lift morale among employees:

*“Because inside there are pictures of the people and the names of who they are. And we have all worked with them in some way. You sit there going 'wow, that is what it is', because not everybody*

*has been down to SA [South Africa]. So the presentation of it for employees is huge, because you sit there going 'I know them. Is that part of their job too?' you learn more about the people down there. Just through them having their picture and name next to it in the Corporate Citizenship Report.”* (CSR Manager, Financial Services)

This morale effect was one that helped to generate ‘buy-in’ for CSR in the company. given that there was also believed to be a strong business case for CSR and SER, enthusiastic employee acceptance of these meant that there was more chance that the benefits to the organisation arising from CSR activities would be realised.

*“There is always a feel-good factor to these things, which is of benefit to the organisation.”* (CSR Manager, Energy)

*“People really do quite like the feeling that they are doing something that isn't raping and pillaging the world. And that is right. If you take it too far down the 'you do this or I will give you a good caning route', it is not the most innovative, it is not going to be as exciting and you will not get the full holistic benefits that you would if you did it from a more strategic perspective.”* (Environment Manager, Extractive)

In addition to having a morale effect, CSR was linked by some interviewees to staff skills development or the recruitment and retention of better staff. Two interviewees noted that their employee volunteering schemes were actually ways of developing project management skills for their staff. A further two explained how their community education projects were actually linked into improving the quality of their future workforce pool:

*“Education and training, obviously there is a business case for that kind of investment because if you have a community that is well skilled and well trained then you have your workforce pool out there already for when you need to employ people. So it makes sense to do that.”* (CSR Manager, Utilities)

In turn, another interviewee made the link between better trained people and business benefits whilst talking about one of their sustainability strategies to improve staff competency:

*“There is the link between having good efficient people who are well trained, so our policy is part of that, into how efficient they are and how productive they are. There is no doubt about it, the more productive management, better management is going to produce better EPS and profitability and things like that for the business.”* (Environment and Engineering Director, Construction)

So CSR was, for a handful of companies, linked internally to strategies for professional and skills development.<sup>9</sup> For five organisations, having a credible environmental or socially responsible

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<sup>9</sup> These win-win situations could conceivably have been construed as not merely opportunities for staff development, but also as a socio-environmental motivation that reflected the community work that was undertaken in the process. However, they have been coded as part of a stakeholder management business case because this better reflects the articulations of the interviewees. The interviewees did not generally go into detail on the community benefits that accrued. Instead, they preferred to discuss the business benefits that arose from these win-win situations, thus implying

reputation helped in the recruitment and retention of staff. For one interviewee, this was the first benefit that his organisation derived from their ‘embedding’ of CR:

*“Now if we look at the benefits. The first benefit that we saw immediately was actually in recruitment. We found that people want to come to work for us, wither because they felt it was something that they could talk about in interviews, but were volunteering buy in to what we were saying in relation to CR. Employees are in our view increasingly engaged and supportive of what we are doing.”* (Marketing Director, Pharmaceuticals)

Interestingly, this interviewee mentioned benefits achieved *ex-post*. Whether or not improved recruitment was an articulated driver for his company’s CSR prior to commencement, or whether it has become a justification for it unintentionally, is unclear. It may be that interviewees conflate *ex-post* benefits with motivations as they rationalise the reasons for their undertaking SER and CSR. This points towards some psychological complexity. Nevertheless, it will be presumed here that benefits, as long as the interviewees articulate these in the context of motivations for SER and CSR, may be considered as motivations as it appears as though these benefits become motivations for future periods.<sup>10</sup>

The above interviewee emphasised that they needed to maintain their CR momentum, and not cut corners during periodical efficiency drives, otherwise retention would suffer: *“It is the old adage; reputation is hard won and easily lost.”* A further four interviewees mentioned how recruitment, particularly of graduates, was aided by them having a good reputation in this area:

*“Like a lot of organisations we have found it difficult to recruit people. So I think more and more, particularly from college and university, again all things being equal, a lot of people would prefer to work for an organisation that has got open policies on sustainability, the environment and all the rest of it. It was very difficult for us to explain that to potential new recruits until very recently. But now I think that is a main driver. Given the choice, dynamic enthusiastic young people would prefer to work for an organisation like that. So both for new recruits and retaining people as well.”*  
(Sustainability Manager, Financial)

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that the main rationale behind these initiatives was business-related, even if not entirely linked to the benefit received. The implicit rationale, in these cases, may have been to improve reputation among the community and manage better community relationships, with staff development being a further benefit that the business has managed to squeeze out. Also, it should be noted that this focus by the interviewees on the business case was under no pressure from the researcher.

<sup>10</sup> As benefits received appear to become integrated into articulations of CSR motivations, they essentially represent new motivations. However, the extent to which benefits received explain why a company (say) produced a SER in the previous reporting period, prior to the receipt of these benefits, is not clear. The psychological concept “cognitive dissonance” may explain this conflation of motivations and benefits received. Cognitive dissonance theory might suggest here that interviewees are psychologically incorporating the benefits received into articulations of why they (say) produced a report in order to justify to themselves, and other members of the organisation, that their report is a worthy activity (ref).

For one interviewee, recruitment of quality staff too was a main driver. It was the first driver he mentioned when talking about the business case for CSR activities generally:

*“Talking more generally about the CSR activities under the CSR heading. EHS [Environment, Health and Safety] is something that [company X] has been strong on for a while. There is obviously a very clear reason for a chemical company to do that. We are looking at people issues. People drive the business. We need to attract the best science people, the best sales people, the best innovators.”* (CSR Manager, Speciality Chemicals)

### 7.7.3 Regulator Related

Seven interviewees said that SER or CSR was driven to some extent by legislation or by regulatory regimes. Four of these interviewees were from utilities (two energy; two water). This is hardly surprising given the regulated nature of these industries. One of the interviewees from the energy sector said that they promoted energy efficiency among their customers because they are forced to by the regulator. However, in a classic example of turning a risk into an opportunity, energy efficiency is now a cornerstone of a marketing campaign that aims to differentiate the company as experts in energy efficiency. As far as the water companies go, Ofwat regulations demand that they actually have to make publicly available information about access, conservation and recreation around their reservoirs. That drives their SER to some extent. As far as actually forcing water companies to do more activities-wise, there was a general consensus among the four interviewees from water companies that Ofwat, which does not have a sustainability remit, was some way behind the corporations in their thinking on sustainability and that some of their regulations actually prevented the companies from carrying out certain initiatives that made sense from a sustainability point of view (see Limits below for a more detailed discussion of this). Thus, it was implied that regulation both enables and constrains organisational approaches to SER and CSR.

The remaining three interviewees who mentioned CSR as a means of ensuring legislative compliance were from the extractive or construction industry.

*“Because at the end of the day your environmental impact is the sum total of all your operations, and all operations are regulated. So your environmental performance has to move forward because regulation moves forward. So at the very worst, hopefully you are complying with the law and that will bump you forward.”* (Environment Manager, Extractive)

*“Again, because there was a growing awareness in the marketplace generally that you needed to consider the environment more carefully. We needed to protect ourselves from a legislative point of view and that is the lowest level of concern if you like, staying on the right side of legislation.”* (Environment and Engineering Director, Construction)

All of the seven interviewees who articulated regulatory drivers emphasised that regulation compliance was only part of what CSR and SER is about for them. There was a business case in going beyond the regulatory minimum:

*“So it is a combination of doing partly what we are regulated to do anyway but partly the understanding that there is a bigger game to play in maintaining the reputation as a responsible mining company than just meeting the regulations in all parts of the world.”* (Sustainability Manager, Extractive)

One of the interviewees was very forthright in describing how they used their report to try and influence the regulator. He felt that the regulation that they were under was flawed in a number of respects such as: waste management certification being so cumbersome that it actually discouraged more sustainable resource use; and there not being a level playing field between big companies and small companies. This latter situation puts them at an economic disadvantage.

*“The other thing we are trying to do and what we have done in this report is to be a lot more opinionated about regulatory regimes. You know 'this is clearly rubbish'. Well we wouldn't go that far but I think in the report we make quite a few stands. I mean if you are going to produce a document of this type then you have got to put some opinion across otherwise you are the trailer rather than the car. You have got to be setting forth our opinions. We have had some feedback from Hendersons Asset Management who said it was quite nice because it was quite opinionated. Because most reports are seriously middle of the road aren't they?”* (Environment Manager, Extractive)

This interviewee later went on to describe how, through their SER and CSR, they were hoping to pre-empt any attempts to introduce legislation:

*“You know, the stick is coming in. maybe it is because industry generally has been pretty poor on Health and Safety and brought it on itself. But we are kind of hoping that if we take enough proactive moves on this then we can maybe nip regulation in the bud. By showing keenness to take on voluntary, almost self-regulatory type scenarios maybe we can stop the framework becoming too much of a stick and keep entering into this in the spirit in which it was intended. Otherwise you are in danger that it becomes a threat rather than an opportunity...as long as we can do a decent job of prioritising the needs of those different stakeholder groups, and of satisfying as many of those needs as we can, then we will strategically be in a strong place as a business. The moment we stop understanding what those needs are we will get onto rocky ground and then we will see more regulation coming out and sticks coming in.”* (Environment Manager, Extractive).

For this interviewee, SER and CSR were actually motivated, at least in part, by a strategic desire to head off regulation. None of the other corporate representatives were as explicit as this, but many of them expressed fairly strong opinions about regulation in the CSR area, both voluntarily and when asked expressly. A couple of interviewees were quite clear that mandatory reporting would be a bad thing:

*“I think if you start imposing regulation, then there is a risk of it becoming a tick-box mentality. It prevents you from differentiating yourself in the market place. Using the business case as a driver for doing it rather than have government tell us what we should do...I really question whether there should be legislation about this stuff or not. Let this be enough because if you force people to do it, it will just become a tick-box thing. I think the easiest way to do it, and the importance of the stakeholder engagement and the pressure coming from that will be diminished. So the overall thing will become devalued. That is why I very much support a more voluntary approach to it.”* (CSR Manager, Energy)

*“I think GRI and AA1000 are good enough. There is no need to change them. We will keep working with them and hopefully people will keep encouraging companies and not criticising because that would feedback in a positive way into how you could change your own operations. The thing is, it is quite useful, but I think everybody's view at the moment is that it needs to remain voluntary...How would you regulate? Regulate just in the UK? It seems to me you are going to have a few companies working to very high standards going through extra iterations of "this is how we do our business". I find it difficult to see how that would contribute to things.”* (CSR Manager, Oil and Gas)

The Director of a utility argued against regulation because they preferred to have flexibility in their reporting and therefore scope to differentiate themselves. There was a general anti-regulation stance to reporting held by the interviewees, but this was qualified by a couple:

*“I think, like most businesses who are not overly keen on swathes of regulation, but I don't think we would be particularly troubled by it either. Quite honestly it would be nice to see a more level playing field where others who are not reporting at the moment are required to...to not just free-ride on our efforts.”* (Sustainability Manager, Extractive)

The representative from the building society too stated that reporting regulation, on the balance, would be a good thing, although it would have to be very prescriptive.

As far as regulation generally in the CSR arena was concerned, there was some opposition to that as well. Many people expressed the view that the voluntary business case was what was driving CSR and that, if it were to become regulated in any way, there would actually be a falling off in the high levels currently being achieved:

*“I think they would be foolish if they did. I think legislating CR is a good way to turn people off it. A lot of what goes on in the social and environmental areas of CR is due to the good nature of people managing the company. I think you will lose that if you start legislating, saying 'you must do this'.”* (Business Planning Manager, Services)

*“Yes we need guidelines and we need a bit of a push because there are companies that will loiter and won't take that step further until there is a bit of a push. But then FTSE4Good seem to be doing a good job in moving the boundaries forward in what they require, so pulling companies forward. So if they continue to do that, and if BiE continue to request more information then we will always move forward step by step and hopefully the others will come with us a little bit.”* (CSR Manager, Financial Services)

This interviewee voluntarily stressed the anti-regulation argument at the end of the interview when asked if there was anything she would like to add:

*“Just to re-iterate that for us regulation wouldn't be the way forward. Because of our business and the way we operate. If they regulated it, we would feel pushed because it may work for UK companies but from our perspective it would be trickier to comply. And we don't need any pressure on reporting...because that would just make them [the board] back off.”* (CSR Manager, Financial Services)

### **7.8 Mimetic**

This motivational group brings together interviewee articulations of the business case for mimicking the approach to SER or CSR of competitors or best practice organisations. Nine interviewees cited some sort of peer pressure, specifically for their reporting. One interviewee talked about this peer pressure in the context of their listing on the London Stock Exchange:

*“So partly a product of our move to London and the fact that SD reporting, it wasn't generally called that [x] years ago, but reporting on sustainable development issues was developing in London at that time. I think its fair to see that we caught up with that, we were looking at what other companies were doing. I think that is a part of why we are reporting: industry, peer pressure you might call it. Its part of what is expected of one of the world's largest mining companies”* (Sustainability Manager, Extractive).

Another interviewee talked about “best practice” and how learning from others was a good way to go about moving forward in this area:

*“I think it is good practice to do it. Across the group, good practice. It has certainly moved forward. Companies are now looking at their peers and seeing that they are all reporting as well, to different extents and different things, but everybody is reporting to an extent. Those that aren't, even we are now saying why are they not doing it? A lot of the indices you look at and say 'who is involved with that, is that worth signing up to, who is heading that up?' Currently I think there is an awful lot of peer respect going on and peer learning.”* (CSR Manager, Financial Services)

This peer pressure was not restricted solely to industry competitors, but for many companies driven also by reporting leaders, whom they were trying to follow, at least to some extent:

*“Well the approach of the book sellers is not dissimilar to the toy industry and they are sort of following the toy industry if you like. So yes you do follow the example of others. The companies that have this down to a fine art probably are the BPs and the Shells because they have to, and they have had to for a long time. BT is another one. I think companies like us in intellectual property, and the media are behind them and catching up. But the impacts aren't so great.”* (Purchasing and Internal Affairs Director, Publishing)

Five of the nine interviewees did not go into much detail as to why peer pressure was important.

Reporting ‘because other organisations are doing it’ does not, perhaps, seem like an explanation in

itself. However, four interviewees explained in more detail why it was important to match others' endeavours.

*“But then you are hit by the business of, if you don't do it and word gets around, and that is what happens and all your competitors have, then you are suddenly, there is then a feeling of 'should I be with a company like this? Should I not be with a company like [company Y] who manage much better energy resources and produce a report', that sort of thing. It comes back again to protecting reputation.”* (CSR Manager, Energy)

*“I think that it is a shame because it costs tens of thousands of pounds to produce it whereas what we could do is take everybody who is interested in our business in this way, take them all into a room and talk to them about the contents of this report, for about 10% of the cost on an annual basis. Still get the same information across but then every time a list of the top 250 companies comes out that produce reports you would be at the wrong end of it. So you have almost got this very basic peer pressure that says: 'you need to have one of these'. So every year we spend about £40,000-50,000. But we produce about 15-20,000 copies of it.”* (Environment Manager, Extractive)

A couple of interviewees talked about wanting to be at the head of the competitive marketplace. To paraphrase the interviewees, benchmarking their peers meant that they knew how not to be left behind, and also how to differentiate themselves. So peer pressure seems to be linked also to differentiation.

This discussion around peer pressure raises the interesting question of whether an organisation's SER and CSR are related more to what other companies are doing than their own underlying activities. Although real pressures to mimic competitors and industry leaders were outlined by the interviewees, this mimicry may have the potential to direct attention away from substantive consideration of organisational socio-environmental interactions and towards, instead, the mere use of certain types of language and symbols that display conformity. Alternatively, one might argue that this peer pressure encourages organisations to follow the leaders, thus raising the level of SER and CSR as a whole. The argument may rest on the view that one takes of the substantiveness of current SER and CSR “best practice”.

### **7.9 Internal Champion**

This motivational sub-group relates to the extent to which SER and CSR was articulated by interviewees as driven by key placed individuals within organisations. Eight interviewees mentioned senior management, the board or the CEO as significant in driving the process. Three pointed specifically towards the influence of the CEO. One interviewee talked about how there had been various attempts to get environmental issues on the corporate agenda within his organisation, but they had only succeeded in doing so in the last couple of years. He pointed towards the change

of Chief Executive as one of the main things that brought about that transition. His views were echoed by one of the other interviewees:

*“Our current CEO...when he came on board, he saw the importance of sustainability and he pushed it toward the centre of the organisation and actually it is part of everything we do now whereas, as I understand it, his predecessor thought it was important but it wasn't at the heart of everything we were doing. Now he has made that shift, recognised the importance and it is across everything we do now.”* (Public Affairs Manager, Aviation)

Another interviewee mentioned the importance of a change of personnel in embedding CSR into the organisation:

*“We have had quite an extensive restructure recently, certainly at senior management level. So we have had a lot of fresh blood coming into the business bringing experience, knowledge and talent from organisations that they have worked with previously. So other organisations such as our HR director came from [company Y]. So he has obviously brought an element of how they did things at [company Y]. We have taken those on board and picked and adapted the best of them for our approach.”* (CSR Manager, Logistics)

Others pointed toward the importance of their senior management team more generally:

*“In 2002 there was a recognition that the company needed to co-ordinate the non-financial aspects, not just H, S & E but all the other things as well. that linked into sustainability. When I joined the team in November 2002, the initial remit was to produce a CSR report within three years internally. However, the momentum at board level had increased quite significantly so it changed from a three year project to 'can we do one next year in July please'.”* (CSR Manager, Energy)

*“we have become more aware of the risks to our operations that come from not managing SD [Sustainable Development] issues properly. This has led to a significant increase in emphasis in the whole area and because our senior management think that it is important we do things to certain standards. They also believe that it is important that we report on this, to show the world what we are doing. So it is not just a response to what other companies were doing in terms of reporting five years ago. It has been an evolving process where we have internalised the need for this.”* (Sustainability Manager, Extractive)

It would be easy to jump to the conclusion that boards and CEOs are driving CSR in organisations because they see the business case. However, with another interviewee, the notion that CSR is driven by reasons other than the business case was introduced:

*“There is a moral imperative there, the Chairman and CEO are very much of the view that it is something that we have to do.”* (CSR Manager, Oil and Gas).

Another interviewee pointed towards some potential tension between the business case and the fancies of senior management:

*“The board came back to me and said... 'right, we want to report on our Human Rights situation after August'. That was the first time the board have actually fed back to me and said 'look into this*

*issue and feed into us again'. That was brilliant because it meant that they had actually read the report and actually picked up on issues and talked about things. But it means that they are aware of the things that we need to be aware of as well. They can do that. If the board say that, it is a business case already, if I come up with it I have to prove that it is a business case. That is a bit of a discrepancy at the moment, but that is the way business is, I just get on with it.*" (CSR Manager, Financial Services).

### **7.10 Summary**

This chapter has described in detail the discussion with interviewees around motivations for SER and CSR. The interviewees described many different motivations for their SER and CSR. The vast majority of these were business case related, although there were some that were seemingly free from business imperatives. The business case motivations themselves were grouped into various themes, each of which was discussed in turn. These were business efficiency, where SER and CSR was seen as being useful in the identification and managing of the costs of socio-environmental factors; financial market related, where pressures from or attempts to influence the city had an influence on an organisation's SER and CSR; reputation risk management, where SER and CSR were viewed as being useful to manage risks and to demonstrate the management of those risks in order to enhance reputation; stakeholder management, where SER and CSR can help in improving or maintaining good relations with various stakeholder groups; peer pressure, where SER and CSR strategies were developed in response to pressure from competitors and other organisations; and internal champion, where SER and CSR processes were initiated and/or spearheaded by key placed personnel. A more in-depth reflection on these motivations will be presented in chapter 10.

The motivations behind SER and CSR may be looked at in another dimension in the following chapter when considering who the SERs are intended for. This should say something about the extent to which (say) reputation risk management concerns are indeed driven largely by the financial markets; who are organisations seeking to enhance their reputation among; and which stakeholder groups exactly organisations are seeking to manage through their SER.

## **Chapter 8** **Reporting Audiences**

### **8.1 Introduction**

This chapter continues laying out the 'meta-story' that emerged from the interviews with corporate managers. 25 interviews were carried out with individuals responsible for preparing their organisation's SER. The interviews were concerned primarily with exploring the motivations underlying SER practices in large UK companies. The preceding narrative on motivations (chapter 7) intertwined reporting and responsibility, reflecting the interviewees' conflation of these terms. Teasing out motivations specifically for reporting may be done by considering whom the organisations are trying to reach through their reports. Interviewees were asked specifically who the audience for their report was: -who was it that they were trying to reach through the report? The responses give some indication of whose interests are informing, and perhaps being placated by, the SER function. The ensuing discussion will be presented in the order of which audience was cited by the largest number of interviewees (see the audience matrices in appendix 2). A sense of the relative importance of each audience to the interviewees will try to be conveyed in the process.

### **8.2 The Significance of SER**

Before discussing the actual intended audiences, it should be noted that a few interviewees played down the importance of the report, or were keen to emphasise that the report was just an end-product of a much more rigorous process of embedding CSR into their organisation.

*"The report for us is really a by-product for a process. The report itself means nothing; there is a process which produces it. That is the important thing, in our opinion. The report is basically just a statement for public record of this process. The process is where we get the feedback and that is then captured in the report. The report is just telling people that we are doing the things that we can and should be doing."* (CSR Manager, Oil and Gas)

*"I think for us it reinforces existing conversations. So this shouldn't be the only piece of information that people get. It should be an additional piece of information in the course of a conversation, an ongoing set of conversations, something that the person you are talking with can use to complete their picture of what [company X] looks like."* (CSR Manager, Oil and Gas)

A couple of interviewees stressed that theirs was not just "a report for report's sake". Collecting data that eventually appeared in the report was, it was stressed, used in order to help improve performance primarily. Nevertheless, the interviewees articulated a business case for producing the report in terms of the pressure upon them to do so. Others also emphasised that reporting was only

one of a variety of means of communicating to the outside world. One interviewee viewed their products (publications) as communication vehicles. These were not specifically tailored to communicate social and environmental information, but they did so as a natural consequence of them being a responsible publishing company:

*“Well [company X] reports in many ways. The [newspaper Y] writes about these issues, but they are editorially independent. But they write about the environment and what goes on in the world and we applaud that. We have various books on lifestyle, we are an education business, we are the largest education publisher in the world. A number of those books are on environmental issues, labour standard issues, lifestyle issues etc.”* (Purchasing and Internal Affairs Director, Publishing)

This implies that focusing only on official corporate statements of socio-environmental performance would fail to capture fully a sense of the way in which companies deal with socio-environmental issues. However, it may be of interest to note that this interviewee’s company produced an SER of only 8 pages. The interviewees from organisations with more substantive SERs, although at times downplaying the significance of the report, did not do so to the same extent as this interviewee. Thus, in this instance, the mention of other communication channels may have merely been a way of justifying such a thin SER.

Most of the interviewees cited numerous audiences for their SER. Some were clear about who was the most important, whilst others were not. A few interviewees actually declared that they were not too sure who their audience was, or should be:

*“In my cynical moments, I do have a fear that there are a number of companies that are just perpetuating ‘we have to report’, and the reports are just going round the same CR circuit, and just being read by each other. And they all go ‘oh well, that’s nice, bring on the next one!’”* (CSR Manager, Oil and Gas)

*“Well, you tell me. You have probably got a better idea.”* (Sustainability Manager, Financial)

In spite of comments like these, the interviewees (the above 2 included) had nevertheless thought specifically about who to target with their reporting and who their audience was.

### **8.3 Investors**

The most cited audience for each organisation’s SER was investors, whether that be company shareholders or the investment community more generally. Only four organisations did not mention investors as an audience, because they did not have any. Two were owned wholly by the DTI; one was a German subsidiary and no longer listed on the London Stock exchange; and one was a mutual society. For those who did cite investors as an audience for the report, a significant number were quite clear that investors were the *primary* audience:

*“(T)he key stakeholder group are the investors and analysts, our shareholders.”* (CSR Manager, Speciality Chemicals)

*“I think we are fairly clear that our primary audience is our investors. Do we consider other readers of the report? Yes, not being totally ignorant of them but they are not our primary audience.”* (Sustainable Development Director, Utilities)

*“I’ll tell you what, that is a funny thing. I think the audience for this you could almost deal with on about two hands. The primary audience for us is the analysts who have an SRI hat. That is number 1 audience. Number two audience is basically everybody else.”* (Environment Manager, Extractive)

One of the two non-reporters interviewed was actually considering whether to produce a stand alone SER. The key reason for doing so seemed to be related to investors:

*“I think we have a lot to say on CR that would make a really good, interesting report to read and that we can actually use with investors and fund managers.”* (Business Planning Manager, Services)

So one may be led to hypothesise that investors are an important audience, seemingly *the* most important audience for the organisations interviewed. Within this, there was still some diversity as regards to which actual investors should be targeted. One interviewee was not sure whether reporting made any difference to the big institutional investors, but he was more encouraged by the interest shown by individual shareholders:

*“We have a huge shareholding. We have got 1.4 million shareholders, 90% of which have less than 90% shares. Interestingly enough, they are very interested. A lot of them are very interested. We do get quite a lot of comment and question from individual shareholders.”* (CSR Manager, Energy)

However, the majority of interviewees directed their report at the big institutional investors and analysts, the city rather than their own shareholder base.

*“I think it is not necessarily shareholders, it is people who work in the big investment banks, people who work in the city of London, people who look at our performance as a company. So investment analysts, brokers.”* (CSR Manager, Oil and Gas)

A few interviewees singled out SRI and ethical investors as a more interested audience for the report:

*“Certainly within our ethical investment community, it will have some influence on how they perceive our company and to what access to what level of green funds or whatever you are talking about. The extent to which it influences our core shareholder community, don't know. Your guess is probably as good as mine.”* (CSR Manager, Speciality Chemicals)

*“I liase with our investor relations manager. His view is that only really the SRI investors are interested.”* (CSR Manager, Utilities)

This did not mean that mainstream investors and analysts were not targeted with the report at all. Two interviewees mentioned how they were trying to engage the mainstream investors more via their reports. One talked about trying to convince investors of the long term value of CR, so that they will tend to mark companies 'up' for good CR rather than only 'down' when negative news leaks into the public domain. Similar sentiments were expressed by the other interviewee:

*"Our primary audience is our investors: SRI and also some mainstream investors. There is a tendency to look on SER as just of interest to SRI investors who are just a small part of the total investment market and so not really significant. We are trying to move beyond that and direct our reporting so that mainstream investors increasingly look at what we are putting out in our social and environmental report."* (Sustainable Development Director, Utilities)

#### **8.4 Employees**

The next most cited stakeholder group (by eighteen interviewees) as an audience for SER was employees. This came as a surprise to the researcher, because there is little in the literature to suggest that employees would be a key audience for SER. Moreover, for at least three organisations (two of which do not have shareholders), employees were actually stated to be the most important audience. For one of these organisations, the report was aimed at generating buy-in internally for CSR:

*"(I)n terms of our CSR report last year, because it was our first one it was mainly aimed at an internal audience. We felt that there was a need to explain what CSR meant to [company X] because a lot of the activities that fall under the CSR banner, the organisation has been doing for a very long time. So we didn't want to appear as though we were trying to invent something new or make them do something differently. It was kind of showing how it aligns with our values and how it is important to the organisation. So it was aimed at an internal audience to start off with."* (CSR Manager, Energy)

For the interviewee from the plc that ranked an internal audience as the most important, it was particularly among graduate recruits that the report was used as part of a long-term vision of getting sustainability into everybody's thinking:

*"So our new graduate intake, we will send them away with a copy of this [this year's copy of the organisation's SER] having explained what it means to them. By the time you have gone through ten years of graduates going through the...leadership programme that we have...we have twenty-five people a year that go through that. Each one of those has to do a community/sustainability activity project. That is part and parcel of what we do. Over ten years you are going to end up with a massive cohort of people that have gone through quite an immersed level of training and understanding in this. The existing senior managers are just picking it up, or are getting briefed as they go along, but they don't have that same degree of depth I don't think, or commitment."* (Environment and Engineering Director, Construction)

Another interviewee actually went back on his previous statement about shareholders being the most important audience, describing how the report is important for communicating issues internally, thus raising the profile of and keeping the momentum going for Sustainable Development within the organisation:

*“I mean you ask me why we produce it and of course it is important that we speak to people outside the corporation and tell them what we are doing but I think its, and I mentioned our employees as an important group, I think it is important that we report these things not just to our own employees but our own managers as well... it is important for maintaining the profile of these issues within the corporation, producing something like this. Probably we read this report much more than anyone else does... When you state something publicly, policies and give some examples from case studies on how those policies are being implemented, I think it has quite a profound cultural effect actually. You might say that that is the most important reason for doing it. That is a view that I am starting to come to actually.”* (Sustainability Manager, Extractive)

For around half of the interviewees, employees seemed to be the most important audience *after* investors. Others mentioned employees as an audience for the report less explicitly, sometimes absent-mindedly, so that it was not always clear where employees ranked in the stakeholder hierarchy:

*“So yeah, I don't think I mentioned that did I, but they certainly are an audience.”* (Sustainability Manager, Building Society)

The reasons given for employees as an audience, or the effect that reporting had on them, where given, were generally described as “raising awareness”, or something similar. This, it was described by some interviewees, could lead to influence behaviour and performance improvement. One interviewee said it was important that employees knew what the company were doing on the sustainability front so that they could talk to the public about these issues if need be. A few interviewees talked about generating a feel-good factor among the workforce or lifting morale.

*“People like to know that they are donating more to charity now. They feel better that we are giving some of our wealth creation back to the community.”* (Environment Manager, Property Developer)

*“They then feel good to work for a company that they can actually be proud of. So it makes a difference to them.”* (CSR Manager, Energy)

One interviewee said that their report was not actually successful in re-enforcing issues in employees' minds, because they had not explicitly prepared the report with employee interests in mind:

*“The cynic in me says that it is almost as if we have put a tick in that box, 'employees read it', rather than thinking about what employees want to see.”* (CSR Manager, Oil and Gas)

However, as she is starting to think about reporting in a more systematic and formal way, this will change for next year:

*“If we are doing this because we are proud of what we do and we are responsible to employees, and we are responsible to communities and we are responsible to the environment, then why shouldn't employees know about that?”* (CSR Manager, Oil and Gas)

It should be noted that, although the view of employees as an important audience for the report was widespread, many interviewees emphasised that they had other communication channels for employees. Interviewees outlined a variety of media that were used to reach the workforce. One CSR Manager described how employee communications emphasised the moral, ethical side of why they were doing CSR, whilst the business benefits were emphasised when communicating with the board. Another interviewee also told of how different media were often pitched at a level different from the report.

*“Internally we have other mechanisms for communicating with staff, newsletters, there are various different types of communications for different purposes and I try and get social and environmental stuff into that all the time. And you change the language according to which publication it is going into. For example, the internal magazine is very much based around people and not corporate policy.”* (Sustainability Manager, Water)

One interviewee outlined how his company produced a separate SER for employees, to go along with all of the other ‘funky’ stuff aimed at getting them involved:

*“(W)e deliver this, which is the external report, and then we deliver the internal report, which is more funky for employees. It is more readable. It is more or less the same length but it is in another language. it tries to involve them. We have done this year our second internal report. Some companies use this for both, internal and external, but we think that it does not work very well when you try to mix. This (external report) has to be very dry, very humble and recognising the issues. These opinion formers (the main audience for the external report) are really pissed off about the issues and with the company, so we have to talk in a very humble language: ‘we are doing this and we are doing that’. With employees it is talking about what they can do, how they can get involved. So it has to be in a more funky way, so they get involved...But not only through the internal report but through the intranet, through competitions, through prizes.”* (CSR Manager, Mobile Phones)

In the main, it seemed as though these other communication channels complemented the SER in reaching employees. Furthermore, it appeared to be only this employee stakeholder group that was explicitly targeted with such a diversity of media. No other group was singled out as receiving such diverse attention, apart from, perhaps, investors through all the stock market questionnaires (e.g. FTSE4Good and the Dow Jones Sustainability Index).

### 8.5 NGOs

The third most cited audience for the report was NGOs. 15 out of 23 interviewees mentioned NGOs as an audience for their report. A couple of interviewees simply mentioned that NGOs *did* read the reports, without actually saying that they were specifically targeted or prioritised, although most of the interviewees who mentioned NGOs as an audience did view them as a group to specifically target with their SER.

*“I think it increases their understanding of wider things. People at English Nature, English Heritage, they know their bit but it increases their understanding of our wider impact and what we are doing and why we are doing it.”* (Sustainability Manager, Utilities)

*“Obviously NGOs and academic institutions want to know what [company X’s] credentials are, what it does in the community, and so on and so forth. So that is another stakeholder if you like.”* (Purchasing and Internal Affairs Director, Publishing)

Very few interviewees talked about NGOs in depth as an audience as they did for investors and employees. Rather, the talk of NGOs as an audience was lumped in with the other audiences for the reports, whom interviewees tended to call ‘opinion formers’.

*“well the main audiences were for employees and what we would call decision makers: our shareholder, the government, regulators and for green groups as well, so opinion formers.”* (CSR Manager, Energy)

*“Opinion formers. By opinion formers I mean journalists, NGOs, people who can influence your reputation as a responsible business. You have to reach think tanks, people in the UN and these international bodies, people who do global policies, all these kind of people.”* (CSR Manager, Telecomms)

So a significant number of interviewees mentioned NGOs as an audience whom they were trying to reach, whether reactively or proactively. A few interviewees never mentioned NGOs as an audience, whilst one interviewee described how pressure from NGOs would actually result in communications being tailored to, not the NGOs themselves, but to the more important stakeholders (in fact, this interviewee did not consider NGOs to be a stakeholder. See section on stakeholder management in chapter 7 above):

*“I think it is probably quite an extreme view that I have. I find it is one that is extremely clear, in my own view. If we are under pressure from an NGO, the audiences that I want to talk to, who I want to understand my position, are shareholders and employees. So if you have got a lot of noise coming on that, ‘what are we saying to shareholders, what are we saying to employees!’”* (Marketing Director, Pharmaceuticals)

This implies a distinct hierarchy of stakeholders that the organisation is seeking to 'manage'. Consent is sought for the organisation's activities from investors and employees but the concerns of more antagonistic stakeholder groups are only 'addressed' (in whatever fashion) insofar as they are perceived to impact upon the views of the two more fundamental stakeholder groups. Although this individual was the only interviewee to exhibit this rationale, it may well be that other interviewees hold a similar view. However, no other interviewee was so explicit. Even though most interviewees accorded primacy to shareholders and employees, they also generally mentioned that they were addressing the concerns of other stakeholder groups through their SER and CSR as well. Whether this apparent concern to directly address other stakeholder groups was genuine or not, is difficult to say.<sup>1</sup> Should this motivation not be genuine then the interviewees are actually only really concerned with shareholders and employees. However, the interviewees do not acknowledge this partiality in their articulations.

### **8.6 Government**

13 of the interviewees talked about using their SER to reach government. Two of these companies are fully owned by the government, and so the importance of them reporting to the government is perhaps more obvious than for other organisations. The interviewee from one of these organisations stated that the government was their most important audience, whilst the interviewee from the other DTI-owned organisation placed employees at the top of the list, with the government lumped in with other 'opinion formers'.

These 13 were generally the same people who cited government pressure as a driver for their reporting and activities in the CSR arena. Trying to reach government with SER may therefore be a reaction to that pressure. However, it would seem that at least a few organisations are being proactive in reaching the government with their SER. Three multinational organisations mentioned how they used their SER to communicate not just with the UK government, but governments all over the world. Each of these three organisations was in extractive industries and the report was viewed as useful in smoothing relations with governments particularly in the developing world.

*"Governments: we think that this report, particularly with developing country governments, is a useful way to introduce the company as a corporation that is not going to mess up their environment and alienate local populations. So it is a sort of calling card there, very often...I don't go around myself talking to government officials. I have been told by the people who do, the*

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<sup>1</sup> To clarify, 'addressing stakeholder concerns' here refers to the organisation-centric strategic management or placation of these concerns. There was no indication from the interviewees that their organisation's SER and CSR activities were driven by the more altruistic form of stakeholder management which might actually involve placing stakeholders, rather than the organisation itself, at the centre of decision making.

*business development people, that it is a very useful thing to have to present a picture of the corporation. Many developing country governments are not well resourced and certainly if theirs is a country where not a lot of mining takes place, they don't understand a lot of the issues. You know, it is useful to give a picture of the corporation that will help in their permitting decisions. If you have got company A who doesn't have such a thing and is unable to give a proper account of how it behaves and one that does have such an account, we believe that it can help tip decisions in our favour. So as I understand it is quite useful in that respect.”* (Sustainability Manager, Extractive)

The majority of interviewees who mentioned government as an audience were talking about the UK government. Within this audience, there was still some variety in terms of who the recipients were specifically. One interviewee said that they send their SER to all MPs. A couple of others said that they send it only to local MPs, again seemingly proactively rather than reactively:

*“We send it to key MPs, local MPs where we operate because we are obviously a big business in the South West, so we want to tell people what we are doing. MPs will often get a letter on their desk about some issue, landfill, water charges, issues like that. It is important that MPs have an understanding. We tend to send them out to that political arena.”* (Environment Manager, Utilities)

Others mentioned, without going into detail, targeting government in a more general sense. Whose desk the reports actually land on in these cases was not always clear, but the following interviewee talked about how he was trying to reach government indirectly, by influencing local planners first whose decisions, in turn, will influence government thinking:

*“I think we are trying to reach government itself. Government are coming out with these strategies and we are saying 'this is what we have found, this is what we are doing' to the planners and 'we can do it again and do it better'.”* (Environment Manager, Property Development)

Again, as with NGOs, there was little discussion of why organisations would target government with their SER. Government was another of those groups under the heading of “opinion formers”.

### **8.7 Customers**

Ten interviewees cited customers as an audience for their SER, two of which saw them as a main audience. For one of these two, a construction company, a summary of their web-based SER was produced primarily, they said, in order to communicate their sustainability credentials to both existing and prospective customers. The intention was to communicate to them that “*not only is this the right way for them to procure their projects, but that they will get a better project for it in the long run in terms of the end use of the building, or the efficiency, things like that.*” (Engineering and Environment Director, Construction). Thus ‘sustainability’ in this case was a selling point.

The other interviewee who viewed customers as a main audience, along with employees, expressed doubt as to whether SER was successful in actually engaging their customers:

*“That is an interesting debate. Who reads the report, who gets anything out of it? The vast majority of customers, probably not.”* (CSR Manager, Energy)

In light of this lack of interest, this interviewee then went on to question whether they should be using other communication channels to target customers. Similarly, one interviewee discounted the importance of customers as an audience for the report, adding that investors and employees were the most important audiences:

*“People are not looking at [company X] as they are looking at Tesco's, at Sainsbury's so people's buying decisions are not dictated by us like they are a supermarket chain or a vehicle manufacturer. So the customer is not a key audience in this.”* (CSR Manager, Energy)

There was a general consensus that individual consumers were not educated or interested enough in matters of sustainability to pick up a formal SER. A couple did mention ‘Joe Public’ type of customers as an audience, although these were customers that also fell into other stakeholder brackets such as investor or community. For those organisations that did cite customers as an audience for their SER, a few were referring to their large corporate customers whom they contract with, and who have CSR policies and imperatives of their own.

### **8.8 Other Audiences**

A few companies mentioned their *peers* as an audience for their report. Three interviewees said that they send their report to their industry associations. Three other interviewees talked about sending their report to individual *competitors*, and how they themselves also read those of their competitors as a way of ascertaining ‘best practice’:

*“There is a sort of, bit of peer competition and we also take on board what other people are doing and think about why they are doing it and should we be moving in the same direction or not. So it does influence the way we report but I don't think it influences the fact that we report, now that we are reporting.”* (Sustainability Manager, Extractive)

Seven interviewees mentioned *local communities* as audiences for the report. One interviewee mentioned how a pile of reports would be taken for their stand at local events. Another interviewee mentioned how their report was used more formally by local communities:

*“If there is some particular problem that a community has with [company X] or one of our operations, this report is quite a good resource I would have thought for understanding what the intentions of the company are.”* (Sustainability Manager, Extractive)

This was cited by the interviewee as a good reason for reading the report, but he expressed doubt as to whether communities would actually read the report in practice, given its lengthy and technical nature.

Six people cited the *regulator* as an audience for their SER. Four of these organisations were utilities who have to make separate technical submissions to the regulator anyway. Sending the regulator a copy of their SER complements those technical submissions. These were the same organisations who cited their approach to CSR as being regulatory driven to some extent. Only one interviewee, from the aggregates company, was very clear that his organisation were trying to influence their regulatory framework through their SER. In this instance the report was a direct attempt to encourage the regulator to “deal with a fairer hand”.

Five interviewees cited *suppliers* as an audience for their SER. In each case, this was part of their supply chain management. They want to make their suppliers aware of the social and environmental standards that they themselves work to, and to encourage those suppliers to follow suit. Five interviewees sent their SERs to *local authorities*. Two of these interviewees worked for property companies: one said that they were trying to enhance their reputation among local authorities, who also grant planning permission, whilst the other said simply that they work very closely with local authorities so it made sense to send them a copy. Another two of those interviewees were from utilities, who have a similarly close working relationship with local authorities. The fifth interviewee was from the aviation company. She explained their decision to send their SER to local authorities on the grounds that it *may* influence their planning decision:

*“I think with local planners I don't think it makes, each case is made on its own merit. I think sustainability is a very small factor and without the reporting, who knows.”* (Public Affairs Manager, Aviation)

Another few audiences were mentioned also. Four people mentioned universities. The reports were not written with universities in mind, but students and researchers were some of the people who requested the SERs the most for those four firms. Three people mentioned the general public, which was not targeted specifically, but the interviewees pointed out that the report was publicly available, should anyone take an interest. Two interviewees mentioned the media as an audience, again, under the banner of “opinion formers”. Only one interviewee mentioned creditors as an audience, which questions the relevance of stand alone SERs in facilitating credit risk assessments to be carried out. One interviewee said that their HR department used the SER for recruitment purposes, to show graduates that they were not a company that they need to feel ashamed about joining.

### **8.9 Summary**

This chapter describes the discussion had with interviewees regarding who their SER was targeted at. The conclusions of the chapter will be summarised here and reflected upon in more depth in chapter 10. The interviewees generally cited numerous audiences for their SER. However, clearly more important to the interviewees were both investors and employees. Investors appeared to be the most important audience for the vast majority of interviewees, particularly specialist ethical investors and large investment houses rather than individual shareholders (although there were exceptions to this). Employees were a close second in terms of their seeming importance as an audience, and in three cases at least were stated as the most important audience (two of these companies were owned by the government). Beyond employees and investors, various other audiences were also mentioned, although the extent to which interviewees talked about these other audiences was significantly less than employees and investors. These other audiences, often talked about under the banner of “opinion formers”, included NGOs, the government and MPs, local planners, customers, the local community, suppliers, the regulator and the general public.

## Chapter 9 – Limits and Conflicts

### 9.1. Introduction

As outlined above in the narrative on motivations (chapter 7), the interviewees articulated their company motivations for SER and CSR overwhelmingly in terms of a business case. Less than half of the interviewees mentioned socio-environmental reasons at all, and those that did generally did so as if in passing, preferring to outline in detail the business drivers for their SER and CSR. After discussing motivations, the interviewees were then engaged in a discussion over any perceived limits to their SER and CSR activities. The intention was to tease out just how far organisations go with SER and CSR, in particular, exploring whether everything that they do must have a business case. There were two elements to this exploration of limits. Firstly, the interviewees were probed on the pervasiveness of the business case generally, as regards to both CSR and SER<sup>1</sup>. Secondly, and later on in the interview, the interviewees were presented with the idea of an Ecological Footprint and asked to comment on whether such an exercise would be feasible and/or desirable as a basis for their Environmental Reporting. The intention there was to tease out any constraints on fuller accountability. The chapter will deal firstly with the pervasiveness of the business case generally (Limits to Responsibility) and then with constraints on fuller environmental accountability (Limits to Reporting).

The chapter also explores the extent to which SER managers perceive the business case as a constraint on the ability of their organisation to be responsible. This is explored by describing the part of the interview that centred on conflicts. The interviewees were asked whether they encountered or perceived any conflicts between commercial and socio-environmental criteria. Where necessary in order to facilitate deeper discussion, the interviewees were posed with a potential conflict between business growth and environmental impact. For example, if an organisation has to make profits and grow, then does that not mean that their ecological impact will also grow proportionally? This was posed as a win-lose situation, where the organisation advances its financial health whilst the health of the natural environment suffers. All of the interviewees questioned the logic or the significance of the conundrum in some way. Some questioned whether such a conflict existed at all, suggesting that business growth can come without an environmental

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<sup>1</sup>As mentioned in chapter 6, the interview protocol was adapted slightly to incorporate questions pertaining to, not just SER, but CSR also. Interviewees were asked about limits to both SER *and* CSR, rather than simply SER, in order to maintain consistency with the interviewee conflation of these two terms. Broadening the entire interview protocol to encompass both SER *and* CSR, in retrospect, has allowed for a critical consideration of how these two overlap, and how they should not be viewed in isolation from the other. See chapter 11 for a more detailed discussion on this.

trade-off, especially when looked at in an industry-wide context. Other arguments reframed the conflict in terms of the positive social benefits that arose as a result of organisational activities. A third set of arguments suggested that, although there were indeed conflicts, organisations could find an acceptable balance between business-economic and socio-environmental criteria.

## **9.2 Limits to Responsibility**

The main line of questioning in this regard was aimed at understanding how, if at all, the business case set limits to what organisations can do. The interviewees were therefore asked and probed on whether, if they were going to undertake a social or environmental initiative or make a reporting decision, there had to be some perceived strategic or financial benefit to the business? A few interviewees very soberly replied in the affirmative:

*“It has to have a business case. We have said quite clearly in both our reports that there has to be a business case. That is what we are here for. We are here to maximise value for the shareholders. That is what a public company does. Therefore there has to be a business case for making changes.”* (Communications Manager, Property)

*“Yes. I think everybody recognises that...You can see where people are looking to make sure that there is a benefit to the organisation...I think that people are more careful about how they manage their time and how they deal with these things.”* (CSR Manager, Energy)

*“Any company that says that they do not feel constrained probably isn't telling you the truth. There is a limit to what you can spend...you have to be aware that we are custodians of shareholders' values and we have to be very logical in our assessments of how much money we can spend in these respective areas and still deliver returns to those shareholders.”* (Sustainable Development Director, Utilities)

A couple of interviewees were keen to point out that they do undertake social and environmental initiatives that require an outlay in the short term, although they believed that they would be paid back for this in the long term through intangible benefits such as reputation or customer satisfaction.

*“I think at the end of the day it may not be necessarily financial. It's even sort of the less tangible aspects such as the people you employ. So almost going back your reputation as an employer, so therefore by definition if that was to be increased, then the capabilities of the people that you attract as a business potentially could rise. Now obviously that is going to have a financial knock on effect at some time in the future. But it is a less tangible thing initially. I think everything we are doing just now in the CSR arena, you could tie back to a financial impact.”* (CSR Manager, Logistics)

In contrast, one interviewee had a much 'harder' financial perspective:

*“By and large we will do something if there is a payback within five years. If it is longer than that, we probably won't.”* (Communications Manager, Property)

There seemed to be different levels of analysis in terms of calculating the business case. Some interviewees talked in narrower terms of financial cost-benefit analysis. More commonly, interviewees evoked a wider sense of strategic business benefit. The more strategic level was illustrated by a couple of interviewees who described how any initiative that could be reconciled with company strategy would constitute a business case:

*“There has to be added value in doing what we are doing. We couldn't just go and do something for the environment or the community just because we wanted to. There has to be an added benefit to that. Now you can be as clever as you want in defining what that added value is. We have 5 core values that are useful in this area. One is the environment but also customers, people, competitiveness, reputation. So if you are doing a project, you can make a business case for it in terms of how it adds value against those 5 things.”* (Sustainability Manager, Utilities)

*“Well everything does fit into this strategy recently introduced. Before that we supported anything related to economic regeneration, environment and education. So anything that was loosely around those three they said 'that's fine', even though it didn't necessarily have a business benefit whereas with this new strategy, it is related back to the business. So I would say now that everything is more focused.”* (Public Affairs Manager, Aviation)

This latter comment links with the previous discussion which suggested that the more systematic an organisation becomes with its CSR, the more it will be driven by a business case. This notion was supported by two companies who were in the process of formalising their CSR strategy. In doing so, previously carried charitable projects were being flushed out because they did not stand up to the scrutiny of the new business case rationale.

A couple of interviewees pointed out that it was difficult to find a business case, but they did try. However, where there was not a business case, something would not get done:

*“It is a difficult one that. For example, recycled paper doesn't lend itself very easily to having books printed on it. There are recycled papers you can use for printing but they are not at the moment financially viable or good enough quality. So we are working with our suppliers to come out with paper that is both cheaper and of the right quality. Newspaper is different. It does lend itself to recycled paper, so we can use it...Is there a viable case? Well it is extremely difficult. Take energy usage. We have tried to buy green energy, and you can define rather loosely what it means, green energy. It is extremely difficult to find cheap green energy that is as cheap as energy used in the current way. But we look at it.”* (Purchasing and Internal Affairs Director, Publishing)

Another interviewee described how their attempts to be socially responsible were tempered by commercial considerations:

*“Taking, and again it is not something that we have talked too much about, but getting bribes out of places like China is extremely difficult, but that is what happens. We have to make it absolutely clear that it is not something as a global company that we could accept. But on the other hand, the*

*pushback was that we recognise that bribes are there to give some companies a competitive advantage, then through pushes in demand and more sales etc., ask for the impossible. So you have to be mindful of the competitive implications of doing that. So there has to be understanding. We have had to, some of our employees couldn't hack it. They were so used to doing that, their hands were tied behind their back and they were expected to operate as normal. It is a cultural thing to do.” (Marketing Director, Pharmaceuticals)*

The prevalence of the business case for CSR and SER was also evident in interviewee articulations of: organisational resource constraints; philanthropic activities; market pressures; and constraints imposed by other groups and society in general. These different factors were identified by conducting an ‘analysis of the analysis’. During the initial coding phase, any section of transcript that communicated a constraint on the extent to which the organisation in question could pursue socio-environmental objectives was coded under the node ‘limits’. When writing the meta-story, this node itself was analysed in order to understand in detail the nature of limits on organisational consideration of socio-environmental criteria. The transcript sections contained within the ‘limits’ node were then segregated into these four factors, which were intuitively derived.

#### 9.2.1 Organisational Resource Constraints

Four interviewees mentioned the time and financial constraints that they were personally affected by. One of these four, who himself constituted his company’s entire CSR department, admitted that, realistically, there was only so much that he could achieve on his own. Another interviewee bemoaned his company’s inability to compete with the ‘big hitters’ in SER:

*“We won an award a few years ago. But I think we are going to find it difficult to compete with the Shell's, the BP's. They pump an awful lot more money into the mechanics of it. BT have done various reports with Forum for the Future. They must have just shelled out £50,000 to get their report done. We are not in that league I am afraid, in that respect.” (Engineering and Environment Director, Construction).*

Another interviewee, from an environment and sustainability team of three people, outlined how the pressure on them to produce information actually constrains their attempts to make performance improvements:

*“(B)ecause all the time you spend working on this, you are not working on making things better. We just don't have the money to hire out a whole team of people. So I am either doing this or I am focusing on the business saying: 'this is what we need to be doing'. So these are the trends, this is what we have got to do, oh shit, too late, we have got to write another report.” (Environment Manager, Aggregates)*

The same interviewee then went on to describe how he had to prioritise certain activities over others, because of time constraints and lack of manpower:

*“Then you will get people who will read the stuff and say ‘why don't you do x’? ‘Brilliant idea, have you ever tried to do that in a company before? No? Well then’. It is not because you don't want to do it. It is just because given money and time it is not acceptable. It is like people say to us ‘have you got an energy reduction plan for your office?’ No, because our asphalt plant would use the same amount of energy for all our UK offices in an hour, that is why. So I can spend 10 minutes out there and save a whole business park worth of energy or I can come in here and get people to turn the lights off.*

*So you are constantly working to the fat end of the stick. You have got to start with the biggest impacts. With the best will in the world, and we really do want to do everything. That is probably the biggest disappointment about this. Because there is so much to do, you feel that you are probably not doing individual bits perhaps as fast as you would like to... You have this boundless enthusiasm to just go out there and do everything and then you sit down and look at programming it out and think ‘good god!’”* (Environment Manager, Extractive)

### 9.2.2 Philanthropy

The notion of clearly marked limits on the extent to which organisations substantively consider socio-environmental issues for their own sake is spelled out more starkly when looking at seemingly philanthropic activities. For example, employee volunteering was described by three interviewees, not so much as a benevolent community activity, but as something that can simultaneously develop the skills of staff members. Five interviewees also mentioned that their level of charitable giving was determined by what return they could yield in terms of intangible benefits. A few interviewees mentioned that they were members of the London Benchmarking Group's 1% Club, a group of companies that give away more than 1% of pre-tax profits to charitable causes:

*“Last year we spent over 1% of our pre-tax profits. We are privileged in that respect...I think that is a substantial amount of money.”* (Public Affairs Manager, Aviation)

However, these ‘donations’ are generally linked into achieving business goals. One interviewee actually described them as *investments*:

*“The way we try to manage that aspect really is to align our investment with certain areas. We have asked what areas of community investment should we be focusing on? What areas do people expect us to invest in? What are people looking for us to help with? That came back with 3 main areas, which are education and training, social inclusion and environment. So we try and align community investment in those areas.”* (CSR Manager, Utilities)

These *investments* seem to be undertaken by companies in order to build partnerships which will help in generating buy-in in the community for future corporate activities by improving stakeholder relations or improving corporate reputation generally. These are things that the interviewees were

sure would eventually come back to affect the company in the form of a positive bottom line benefit. The interviewee from the pharmaceuticals company described how their product donations were in fact covered by their pricing policy, where the richer patients in the US in effect subsidised the poorer patients, who received their drugs at a discount:

*“Historically, we have collected this information and we have presented it as a philanthropic gift...we said well ‘is it really philanthropy’? It would be in countries where governments have taken on the responsibility to make medicine available to people. It would be philanthropy in that market but in the US context is it philanthropy or is it more in line with the marketing mix? The truth is that it is the latter. If we lowered the price, if we had more people who were capable of affording it, product donations would be less and the total return would be different.”* (Marketing Director, Pharmaceuticals)

From the above it may not be completely obvious that the business tie-ins described by the interviewees actually represent a limit on what the organisations do socio-environmentally. It could be argued that the organisations are conducting these philanthropic activities anyway, and have succeeded simply in finding a business spin-off. However, consideration of the context of these statements casts aspersions on such an interpretation. The same interviewees were all fairly clear that whatever their organisations did in the SER and CSR arena, it would have to have a business case. Therefore, this implies that the philanthropic activities referred to above would not have been undertaken had there not been a business spin-off. Indeed, one interviewee described how as his organisation’s approach to CSR was becoming more formalised, previously ‘philanthropic’ activities were now being placed under more scrutiny as regards to the strategic business benefits that they derived. As a result of this, his organisation’s ongoing relationship with a cancer charity was to be replaced with a relationship with another charity whose activities “better reflected the focus of the business”. Thus, the extent to which ‘philanthropy’ is undertaken primarily for philanthropy’s sake may be severely restrained.

### 9.2.3 City Limits

Talking more specifically about limits on CSR, a number of interviewees pointed out that there was pressure from the city to make sure that their CSR was tied into achieving business benefits. One interviewee mentioned that the formalisation of their CSR strategy, which entailed looking closely at whether or not their community projects were tied into business benefits, was related to new “returns expectations” from the city since they became listed in the last year. Another interviewee, whose company was owned by the DTI, said that whilst the business case set the limits to what they do, they were not under the same amount of pressure that they would be if they were listed:

*“The other interesting one is where if we were exposed to the short term views of shareholders, then I think that would be more problematic for us. The whole thing about sustainability and CSR is performance over the long term. I think that probably that is a debate that needs to go into reports: ‘we are going to have to do this over x years and it is going to cost us y much. We believe it will have these benefits to the organisation in terms of reputation’.”* (CSR Manager, Energy)

These concerns were confirmed by a CSR Manager who did work for a listed organisation. She described her frustrations at having to deal with the short-termism of the financial markets. She was not frustrated because things had to be driven by a business case. Rather she was frustrated at the fact that the financial community did not recognise “long-term” business cases. As such, she felt restricted to undertaking projects with relatively short paybacks, having to ignore certain initiatives that still made sense according to a wider, strategic business case.

#### 9.2.4 Limits Set By Other Groups

A number of interviewees described constraints on their pursuit of socio-environmental objectives that were placed upon them by various stakeholder groups. For example, four interviewees mentioned their *customers* as restricting what they could do socially or environmentally. One of these four described how his company had, on various occasions, tried to push certain products to the market that required less ‘virgin’ material and about seven times less energy to produce than their traditional product lines. However, they could not get anybody to buy it. This was particularly frustrating for the interviewee because the product had “huge margins” and would have yielded the company huge reputational benefits. Nevertheless, this interviewee felt that being ahead of the market like this will help his company in the long run, when the rest of the marketplace eventually does come round to more ecological ways of doing things.

One interviewee from a property company talked at length about how there was a limit to how ecologically responsible they could be and that most of the ecological impacts that they were involved in predominately emanated from their *customers* (retailers in shopping malls). She said that although they could influence the eco-efficiency of the malls at the build stage, the actual fitting out of the shops was undertaken by the retailers themselves:

*“We have created some environmental guidelines which we will encourage them to follow but, yes, in the last case analysis we are not going to say ‘you can’t open a shop’. If they are within building control regulation then fine, if they seek to do better than that, then great. But we won’t stop them from opening up a shop, if the retailer is right for the centre, and provided their fit out is compliant, we won’t on the grounds of theirs not being the most efficient energy solution.”* (Communications Manager, Property)

But the interviewee outlined that retailers were concerned primarily with lower costs. Therefore, anything that her company could have an influence on (common areas of the mall, for example) would be done primarily on a cost rather than an environmental basis, in order not to overburden their retailers with high charges.

This same interviewee also talked about how the *government* should take more of a responsibility in taking a lead if there is to be advances in the CSR arena. She noted that it has been left up to the corporate sector to take the lead on things like smoking and public transport:

*“It is a question, in social terms we will respond to whatever the shopper wants. We give them the option to go by bus, to cycle, to go by train. But it is not our job to tell them which to do; it’s a national issue. It is not for us to lead...one would like society to start from the top. It is not our job to run the country.”* (Communications Manager, Property)

Another two interviewees also stated that they could do more in CSR if the government was more proactive. One interviewee said that they are finding it difficult to get their US operations up to the same standard as their UK operations because of the lack of legislative pull in the US. Another interviewee mentioned that the government needed to help in pushing the business case for CSR. She said that the government was doing “little things on capital allowances”, but that they could make it a lot easier for business by offering them breaks in other ways also.

Three interviewees, all in the water industry, stated that they were being prevented from being more sustainable because of the *regulator*. A couple of these interviews bemoaned the short-termism encourage by their 5-year regulatory cycles:

*“When you get to the end of a five year time slot, say year three or four, you are tying up loose ends in a way and not starting anything new. It would help if things were a bit more continuous in a way because it wouldn't disrupt things quite so much.”* (Sustainability Manager, Utilities)

These three interviewees also described how the regulator did not always encourage the most sustainable solutions:

*“Because in many cases we are being regulated and that is having an adverse impact on the environment...Why do we, I know I will upset people by saying it, we have got over fifty UV installations. They actually run all year round. Is there a need to run them all year round? You have got one surfer going into the water, sorry surfers, because it is perceived that people will go out there, one person may go out there, then it is suggested that we have to put in disinfection. The environment is paying for that in terms of energy, our customers are paying for it in costs. Sometimes I believe that regulators may be saying that we should be doing one thing, but from a sustainability point of view, it may not be the appropriate thing to do.”* (Environment Manager, Utilities)

Another interviewee described how the regulator's limited understanding of sustainability led to them mandating end-of-pipe measures to certain problems that could be easily dealt with at source. The impression given by these interviewees from the water industry was that they were ahead of the regulator in their thinking on sustainability, and that they were being held back by some of the regulatory decisions.

Other groups were mentioned too by interviewees generally as restricting what they could do in sustainability terms. One interviewee said that they could only do so much with their waste recycling programmes because they were limited to what *local contractors* could provide. Another interviewee mentioned that they could not change to a 'greener' water supplier as they could with electricity suppliers.

Around five interviewees also mentioned other *people within the company* as constraining what they could do. A couple of these talked about how people within the company did not recognise the business case for doing things. One interviewee talked about the prevalence of traditional "economic only" within his company. Line managers were reluctant to spend money, as they could not see what benefits would accrue to them. Also, three of these interviewees mentioned that an overall company business case was not always enough. For business unit managers to buy-in to CSR, their own business units would have to yield the benefits directly. Overall company reputation can be a distant thing for them. In such cases, the CSR managers interviewed outlined the importance of getting things written into policy, so that there was top-down pressure on these individuals to fall into line on certain practices. The stick sometimes had to be used rather than the carrot.

So a variety of groups were mentioned as putting constraints on what companies could do. Around half of the interviewees also mentioned more generally that there were limits to what they could do, and indeed limits to their responsibilities, that were set by society. These interviewees pointed out that corporations could not deliver sustainability on their own. They talked about sustainability and/or CSR being a question of partnership between different bodies and sectors:

*"I don't think we would say that we are there to solve the world's problems. I think that what is mainly needed is for sectors, public, private and voluntary, to identify what are their skills, what can they bring to solving the world's problems."* (CSR Manager, Oil and Gas)

*"We would like to change it but we cannot change it on our own and frankly, if society wants to change it, we will be the first in partnership to do so. What we can bring, uniquely, is successful research in the areas of healthcare in the developing world. That is uniquely what pharmaceutical*

*companies can do. Healthcare infrastructure, pricing distribution, all of that we can play a partnership role in but we are uniquely placed to find a better treatment for TB, for example. No one else can do it. You would not look to anyone else in the world to get a better treatment for TB, other than the pharmaceutical industry. That, I think is where we can make our contribution.*” (Marketing Director, Pharmaceuticals)

*“You have to work with other partners. It is not up to companies to determine where are your moral limits. At the end of the day, the moral limits are on price. If you want to achieve sustainability on the global level, the US and the producers of oil, will have to raise the price of oil and pay for the damage that oil is creating. All of us will, by paying more for oil, reduce.”* (CSR Manager, Telecomms)

Essentially, the interviewees felt that they were doing what they could, given the way that society was. For society to become more sustainable, it would need to look at itself also, not just the corporate sector:

*“If society rethinks itself, it is about the waste streams that we use. Why is it that years ago that I could go to a shop and buy biscuits and they were put in a paper bag. You can't do that anymore. It is all about you getting stuff in polythene bags. Why can't we have paper bags? Polythene bags are non-biodegradable...It is not just the waste industry itself that has got to address the problem, society itself has got to deal with the problem. Every action has a reaction. If society generates waste, non-biodegradable waste in the vast quantities that it does, that is the action. The reaction is that it must be disposed of. So how best can we dispose of it?”* (Environment Manager, Utilities)

### **9.3 Limits to SER: Ecological Footprinting**

The previous section focused on the limits to organisational CSR activities generally, including reporting. This section relates specifically to the point on the interview protocol that relates to reporting completeness. In particular, interviewee opinions were sought on the desirability and feasibility of an Ecological Footprint.<sup>2</sup> As mentioned in chapter 6, because of time constraints in some of the interviews, a discussion around the Ecological Footprint was conducted in only 20 interviews. Four of the interviewees had never actually heard of an Ecological Footprint. Even after a brief explanation by the researcher, two of these interviewees, who were not environmental specialists, still felt that they were not in a position to comment on how feasible such an analysis would be to carry out. They agreed to pass the query on to someone from their environment departments. The researcher followed this up via e-mail and received responses that have been analysed and included in the discussion below<sup>3</sup>. The remaining sixteen interviewees had some prior

<sup>2</sup> The reasons for an ecological footprint as a focus for reporting completeness, rather than a stakeholder map or an ecological footprint *and* a stakeholder map, are outlined in chapter 6.

<sup>3</sup> Following up the ecological footprint question with other members of the organisation has epistemological implications. Both of the (fairly brief, it should be noted) e-mails answered the environmental footprint question in quite technical terms, as regards to the implications for organisational information systems, for example. This can be contrasted with some of the more in-depth conversations had with interviewees who discussed the impression that such

knowledge of the Ecological Footprint, and some had even considered it previously as something that they might do for their organisation.

### 9.3.1 Positive Soundings

Seven of the interviewees implied that, in principle, an Ecological Footprint would be a desirable thing to undertake. Three of these did not go into detail as to *why* it would be a good thing, simply saying that it made sense to calculate their overall impact. The remaining four of these seven interviewees each gave different reasons as to why they were keen, at least on the *idea* of an Ecological Footprint. One interviewee described how there was actually a very strong business case for their producing an Ecological Footprint as it would show how nuclear was a better alternative to conventional power generation in terms of a lot of environmental impacts:

*“I think the Ecological Footprint for the nuclear industry is very important...the whole thing about proving that nuclear energy is part of a sustainable solution and future when you compare it to other forms of electricity generation. So when you get blanket statements like 'we are assuming that nuclear energy is just as bad as coal', you have got to counter them.”* (CSR Manager, Energy)

Another interviewee also brightened up at the talk of Ecological Footprints. He himself was trying to construct his own type of overall impact analysis, not hugely dissimilar to an Ecological Footprint. When asked whether or not there was a business case for that type of analysis, he responded strongly in the affirmative. On one level, this may be explained by the relationship that his organisation has with the regulator, who decide, based on a number of factors, what capital works and type of projects each company in the sector need to carry out. On this basis, the regulator sets the prices that each company charges its customers. The interviewee said that he could use his overall impact analysis to show the regulator the potential impacts of various projects. Based on those analyses, the regulator would then have the ability to decide which project was the most “sustainable”, and choose accordingly. Thus, the company could, potentially, use the overall impact analysis to implement more sustainable solutions. Notably, there was a business tie-in to this in that those solutions would be paid for by the customer. On a more company-centric level, this interviewee also said that his impact analysis could be used themselves to distinguish between projects that they had control over. Projecting potential impacts that have cost implications would also allow the company to foresee and exploit win-win situations. In this instance, the interviewee’s enthusiasm for an ecological footprint type of analysis seemed to be informed primarily by the business case for such an exercise.

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an analysis would give. These two e-mail conversations were thus not as rich as some of the interviewee conversations. Nevertheless, they do provide some insight into the practical constraints on ecological footprinting in large companies.

Another interviewee said that an Ecological Footprint would be a really useful communication tool that could engage audiences:

*“They are great headline grabbing things, and great for getting the overall message that over consuming is bad.”* (CSR Manager, Utilities)

One of the other interviewees said that producing an Ecological Footprint would be the right thing to do:

*“In principle I think it is something that people should be asking us more for and we should be able to respond.”* (CSR Manager, Energy)

When told that it was a surprise to hear such a positive response, given the resistance displayed by other interviewees up to that point, he explained his point of view in terms of accountability:

*“Well I guess I am not surprised to hear people saying that. But that needs to be balanced with stakeholders' and society's expectations of the business. And if people outside are wanting more accountability, that ultimately means a greater level of disclosure in these areas, ecological footprint, environmental accounting, yes you are right, they do show whether you are sustainable or unsustainable. Nevertheless, that is where everything is moving. People want to be more informed about just how companies report. It is very easy to say 'well I don't want to do that, we are not going to report'. Then straight away you have got a conflict between operating your business and not taking into account properly what society expects of you.”* (CSR Manager, Energy)

Interestingly, this interviewee talked in more detail about moral obligations that he felt his company had toward society. This is in contrast to the earlier part of the interview where he articulated his company's motivations for CSR wholly in terms of a business case. He seemed frustrated by the lack of a business case for certain things, and actually expressed a desire for more pressure from society to be put upon his company so that he could justify certain CSR/SER initiatives, the Ecological Footprint being one of them. This highlights an area of tension between the individual and the company, one which was not as apparent in any of the other interviewees with the exception of perhaps one individual, although he was more circumspect about his frustrations. These two interviews aside, it was not obvious that there was a distinct dividing line between the individual and their organisation.

In spite of these positive rumblings, the majority of interviewees displayed some resistance to the idea of an ecological footprint. The idea that it may be the 'right thing to do' in terms of accountability or that it was presented by the researcher as the ideal form for the environmental side of SER, did not hold much sway with most of the interviewees. Rather, they were quick to point out the practical and methodological problems involved in calculating an Ecological Footprint. This

was true also for the seven interviewees who agreed that it would be a good thing to do in principle. The majority of those seven, by and large, discounted the idea of carrying out such an analysis in the future. On the whole, the ecological footprint received a frosty reception.

As with the analysis on limits to responsibility, the way in which the following broad themes of resistance were identified was by doing an ‘analysis of the analysis’. Initially, any section of the transcript that pertained to the Ecological Footprint was coded in the ‘Eco Foot’ node. During the writing of the meta-story, this node was further analysed. The various opinions expressed on the Ecological Footprint seemed to cohere around four broad themes. Those who expressed positive opinions, in principle, were categorised under *‘positive soundings’* (see above). The other three themes referred to resistance to the Ecological Footprint and these will be discussed in detail below. They are: *‘resource or organisational constraints’*, referring to the lack of necessary resources to actually conduct an Ecological Footprint; *‘lack of value: environmental management’*, referring to the inability of such an exercise to help in managing environmental impacts; and *‘lack of value: showing the positive’*, referring to the Ecological Footprint’s inability to show certain performance improvements.

### 9.3.2 Resource or Organisational Constraints

Thirteen of the twenty interviewees said that calculating an Ecological Footprint would require more time and money than they currently had available or that their internal information systems were not sophisticated enough to do something like that. Moreover, it was implied that the benefits would not outweigh the costs of bringing those information systems up to scratch. In fact, some of the interviewees stated that they were not sure what the benefits of calculating an Ecological Footprint would be:

*“You are talking about a mega exercise now aren't you? ...but I think that might be quite a difficult sell...arguably we could do it...but I think you would need a somewhat better justification for it than simply 'it is a nice thing to do!'.”* (Sustainability Manager, Extractive)

*“It would cost us a fortune and take us an enormous amount of effort and time.”* (Engineering and Environment Director, Construction)

*“Well funnily enough, we did consider this for last year. Part of the problem was that our reporting elements were relatively primitive across the CSR arena as a whole back then. They have come on since then. There are still a few areas that need to be developed.”* (CSR Manager, Logistics)

In the end, this interviewee discounted the Ecological Footprint on other grounds (see ‘lack of value’ section below) but the information requirements were what initially put him off.

Those interviewees who expressed a general willingness to do an Ecological Footprint also pointed out the caveats to that desire:

*“Well nothing is impossible. The whole environmental accounting area is one that interests me but I recognise that it is complicated and would require more resource than I am able to do just now. If I had a whole team of people, half a dozen people, I could explore that.”* (CSR Manager, Energy)

One interviewee said that an Ecological Footprint is simply just not feasible for his company because of the way their and their suppliers’ accounting records are kept:

*“If we were a factory then it is a lot easier to measure because a lot of factories measure what they use. What we do is we work all over the country in different regions. If you want to source your materials then you use local suppliers. So the buying system is decentralised. It is not for a want of trying. I have tried to collect certain things in this company and you cannot do it. It would mean me going round to every region and visiting the 2 or 3 buyers to actually see the log book. He wouldn't have the quantities, only cost. The same applies to timber as well, you'd be amazed at the difficulty... it would be incredible. I am not jesting. I have actually seriously tried to collect stuff. I have come from your position, 'I am going to do this whatever'...there comes a point where you ask 'is it sustainable to collect this data or am I wasting my time and everyone else's time'? I have looked at various resources so, have you seen the supply chain section in there, what it has got is what is available, build costs. So we break it down into how much we spend on concrete, timber etc. I could only get that, the amount of work that has gone into getting that is just incredible.”*  
(Environment Manager, Property Development)

The interviewee from the Nuclear company said that they were in the process of developing their information systems and that an Ecological Footprint was something that they could potentially think about doing in a couple of years’ time. In the meantime, they were doing various life cycle and impact analyses that could form a basis for a Footprinting exercise in the future.

### 9.3.3 Lack of Value: Environmental Management

Fifteen of the interviewees argued against doing an Ecological Footprint on the grounds that it would not have any value for them. In other words, there was no business case for doing so. There were two broad reasons for this: the irrelevance for the Ecological Footprint in managing the business; and the need to normalise the footprint to include other factors. Starting with the first point, twelve people said that an overall figure, such as that provided by the Ecological Footprint, would not be useful in running the business. Instead, it was more important to have disaggregated data on individual issues. One of the interviewees, who did not initially know what an Ecological Footprint was, replied very soberly after hearing a brief outline of what the analysis would entail and what it would show:

*“So you get this figure, what do you do with it?” (Communications Manager, Property)*

She went on to explain that producing such a figure would not affect the way that they run the business, and so would not be worthwhile undertaking, especially given that it would probably cost a lot of money:

*“But we know the areas where we have the most impact now; at least I think we do. We are working on that. At the moment I think we have only got 35% of our waste going to landfill, and we are seeking to bring that down. I am not sure what extra benefit it would be to...what difference it would make to the initiatives that we have got going, if you see what I mean. We are working on energy, we are working on waste, we are working on transport. Those really are the three impact areas...I am not sure that such an interesting exercise would make such a big difference to what we can actually do. I think therefore that from our point of view we would rather focus on what we know we can do, and achieve that, rather than put it into a wider theoretical context.” (Communications Manager, Property)*

A number of interviewees, and some had considered doing an Ecological Footprint or a similar type of overall impact analysis, concluded that it was more important to calculate and communicate individual impacts and issues:

*“What was really attractive was that you could say 'our impact is thirty two'. But the problem is that in order to understand what that thirty two is, you then have to bust it down into all its bits.” (Environment Manager, Aggregates)*

*“(W)e understand (already) what our footprint is I think in terms of the issues because we have got our impacts.” (Engineering and Environment Director, Construction)*

*“I would rather people get their idea of the totality of what we are doing by reading the range of things that we are doing and the way that we approach things...if we have an ecological footprint the size of Newcastle or whatever, does that really mean anything to Joe Bloggs?...The general public don't know what sustainability is, they can't understand it. They are concerned with health, education. We have an impact on health through water quality and we have an impact on education through our community programmes and so on. But people are very much issue focused, they can understand issues.” (Sustainability Manager, Utilities)*

In contrast, one interviewee said that the overall figure would in fact be a good thing to communicate (see above). However, being a useful communication tool was not enough to justify undertaking an expensive exercise that would not be helpful in managing the business:

*“You can aggregate it up to get an overall number which is great for things like communication but in terms of actually doing stuff about it; you still have to take it back to the individual level, individual waste. What you can do is make better links between, say you manage your energy in a certain way, well that can have an impact on how you manage your waste. So I think that you can have better integration between where you manage different impacts. I think it is good to try and assess you overall impact but I am not totally convinced of the value of it.” (CSR Manager, Utilities)*

In this regard, one interviewee said that communicating something that was not actually used in the managing of the business would be misleading:

*“If you take that back then, you are trying to report to your stakeholders, how you manage your business, what your priorities are. I think that to report something like your ecological footprint, that would be misleading. That is not something that you are using as a real management tool in your business. That is not directing priorities, that is not telling people on the ground how to manage what they do on a day-to-day basis. If you are looking at their NOX emissions or their CO2 emissions, then that has a tangible impact on what they are doing to manage their output. So that would be a more useful indicator on how we are doing.”* (CSR Manager, Speciality Chemicals)

Therefore, there was significant resistance to the idea of an Ecological Footprint, or any other type of overall impact analysis on the grounds that it would not be necessary to understand and manage the individual impacts. Given time and resource constraints, the interviewees generally preferred to spend their time on managing the individual issues, which they suggested that they were doing anyway. Calculating an overall figure would not help them to improve on the impacts, which were obvious to them as it was. Even when the researcher suggested that an Ecological Footprint may help in identifying a whole range of other issues that were currently not identified in the report, and therefore seemingly not managed, the interviewees generally replied that they were already focusing on their *key* impacts. Further consideration of other impacts was not necessary. A common concern among the interviewees was that they did not want to make the report unreadable by putting too much information in it, or making it too academic. A number of interviewees talked about how they purposively tried to keep the report readable and below a certain number of pages and how there was a tension between producing more information and engaging their audience which, they felt were often did not engage with the report as it was. One director even mentioned how expanding their report beyond the current eight pages would be problematic because he had to take it to their suppliers on his annual tour of India. He described how carrying forty reports of a bigger size would be extremely heavy and awkward for him to carry on the plane.

#### 9.3.4 Lack of Value: Showing the Positive

Not only was the usefulness of the Ecological Footprint as a management tool questioned, but objections were also raised over what it would actually communicate. Ten interviewees said that the data would have to be normalised or other considerations would have to be factored in if any Footprinting exercise was to be undertaken. Some of the interviewees were concerned that the Ecological Footprint would be looked at in isolation, and that it would not communicate situations where organisational environmental impacts were going up, but where this was in the interests of society because actual environmental improvements, outside of the organisational boundary, were

being achieved. One interviewee described how their energy use was going up because of the improvements they were making in sewage treatment:

*“CO2 emissions, ours have been going out and out at the moment because of the number of works we have been doing...People are going to say 'that is not very good, CO2 has gone up.' Unless you know the understanding behind why then the indicators, the footprint...could be completely misread. You have always got to take it in context.”* (Environment Manager, Utilities)

Similar views were also expressed by other interviewees. Two interviewees described how an increase in their Ecological Footprints would actually be good on the whole because it would mean that more gas was being used rather than oil:

*“But then you would have to normalise it because if you are increasing your footprint but you are also increasing output and that is increasing air quality because that is a less harmful fossil fuel, you are going to have to normalise it according to, I don't know, barrels of oil equivalent produced or something. Otherwise, the more successful we are as a company because we are expanding our operations; from the eco-balance point of view we are going to be less harmful.”* (CSR Manager, Oil and Gas)

*“To me, it is how would we include in that the benefit of, I mean the example that I just gave you, in that balance would have to be taken into account the benefit of burning gas to generate electricity by other companies...The downside is that we ship more gas, but the upside is UK plc is better off because it is moving away from burning coal and oil. So it is, would have to go outside our boundaries.”* (CSR Manager, Energy)

The concern was not only with environmental impact boundaries, but also with a focus merely on the environmental. Two interviewees were concerned that an Ecological Footprint would overlook the positive social impacts that their organisations had:

*“Yeah, and also it is looking at one element. It is kind of going back to the pigeonholing aspect of it. Have they opened up these Footprinting exercises to include the social and economic aspects or is it still predominately environmental? Because obviously environmental is a very important thing, particularly from a personal perspective, and we are trying to move towards the wider CSR arena. So if there was a Footprinting tool that looked at the whole range of your activities, that would be of more use...We are a huge company and in terms of the contracts and the impacts that we have on suppliers, locally and nationally, is huge. It is about £2bn a year that we spend on suppliers. There are a huge number of companies that we actually contract with. So in terms of our positive benefits on creation of wealth in the local community, in the UK as a whole, it is huge. You have got to offset that against potentially the negative aspects from an environmental perspective”* (CSR Manager, Logistics)

*“I have got real concerns with the Ecological Footprint methodology, I must admit. I am not entirely sure how useful it is...There is no way at the moment of factoring back in the environmental benefits, or the social benefits of [our] business...Things like the direct emissions reduction from these cars here because of the auto catalyts that are sitting in them; or the potential reductions from the fuel cells business because of the investments we have made in fuel cells; or the pain that*

*we have mitigated through the controlled drugs that we manufacture.”* (CSR Manager, Speciality Chemicals)

One interviewee said that his company’s environmental impacts were relatively small compared with their social and economic impacts. Therefore, an Ecological Footprint would focus attention on the wrong things:

*“If you look at the social, economic and environmental impacts of this company, and the whole sector, the social and economic are much higher impact than the environment. So what we have done is to start a study on the social economic impact of mobile: what is the influence of mobile on society; how mobile is changing people's lives. Are things changing for the better or the worse and how we can put some solutions to that. So this project is in developed countries and developing countries. The impact that mobile has on developing countries is amazing. We are focusing on that.”* (CSR Manager, Telecomms)

Most of these ‘normalising’ arguments were concerned with pointing out that an increasing Ecological Footprint could actually signify good things overall. For this to be shown, a couple of interviewees suggested that sector-wide footprints would have to be calculated. However, this seemed to be an unrealistic thing to expect to happen. Some of the interviewees expressed a greater concern with efficiency, rather than overall impact:

*“I mean our energy consumption could double because we have changed the nature of our workload, it could double because we have doubled our turnover or it could double for some other reason and that might not be related to whether we are trying to be more efficient with the use of it or not.”* (Engineering and Environment Director, Construction)

*“So our business might be growing but that doesn't reflect on the fact that the total...we might be growing our business but we might be growing our business and using less resources than our competitors, so therefore if you look at the sectoral basis then the sector's ecological footprint might be reducing. To look at [our] Ecological Footprint in isolation, I don't think would be something...”* (CSR Manager, Speciality Chemicals)

One interviewee described how his organisation’s increasing emissions were problematic for creating an “accurate picture”. In this regard, he argued that efficiency was a more appropriate way to view environmental impact:

*“So as our business moves across into more complex processes, our CO2 per tonne goes up, and it does also per person. So it is quite, it is almost going the wrong way. What we need to really do is to break it down into little sectors, into little bits, because they are all probably going the right way but because the overall emissions are going up, because we are doing more complicated work than we used to...”* (Environment Manager, Extractive)

In sum, these ten interviewees much preferred to focus on their individual impacts because these actually showed improvements.

#### **9.4 Conflicts**

Immediately after the discussion on limits, interviewees were asked whether they perceived there to be any conflicts between commercial and socio-environmental criteria. The interview responses to this were initially coded under a node called ‘conflicts’. As with the categorisations of various perceived limits on consideration of socio-environmental criteria and also of viewpoints on the ecological footprint, this ‘conflicts’ node was analysed when writing the meta-story. This analysis led to the identification of three broad ways in which the interviewees rationalised the conflict presented to them.<sup>4</sup> However, there was more to the interviewee articulations than simply these. Many interviewees initially denied that there were any conflicts between commercial and socio-environmental criteria:

*“I am certainly not aware of any”* (CSR Manager, Energy)

*“I don't think there are conflicts”* (Purchasing and Internal Affairs Director, Publishing)

*“I haven't encountered any so far”* (CSR Manager, Energy)

Given that many of the interviewees then went on to rationalise conflicts (not necessarily denying them), this initial denial seemed somewhat contradictory. The relevant transcripts were therefore revisited in order to shed light on this contradiction. On reflection, it appears as though these interviewees initially denied the existence of conflicts because they were fresh from talking about the business case for SER and CSR, and therefore very much within a win-win mode of thinking (essentially a conflict-free zone). It wasn't until the researcher probed further that interviewee opinions on conflicts became more substantive. The researcher presented the interviewees with the business growth/environmental impact conundrum. A few respondents initially responded to this conundrum by making it very clear that the economic pillar of sustainability was the pre-eminent one:

*“Why are we in business? ... Yes, the business is in business to make money”* (Communications Manager, Property)

*“We can't go around losing money on every job. The company would go belly up. There is this balance between being sustainable for [company X], and I think it was a year or so into our*

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<sup>4</sup> Although the growth/impact conundrum presented by the researcher implicitly assumed that organisations had growth objectives, this was not contested by any of the interviewees. Thus, one can only presume that growth is part of their organisations' *raison d'être*. Otherwise, some objection to the growth/impact conundrum would have been made on the growth side of the equation. As it was, objections were only made on the socio-environmental side of the equation.

*sustainability programme before I realised and stood up to say 'it is important for [company X] itself to be a sustainable business'.*” (Engineering and Environment Director, Construction)

*“For us, to continue to be a successful company, and achieve the sort of returns that we are looking for, if that means burning oil and gas, which inevitably impacts on the environment, then we will do that, so long as we remain within the limits imposed upon us in terms of those emissions.”* (CSR Manager, Energy)

Many of the interviewees said quite clearly that their primary objective as a company was to make money. Some said more specifically that it was fundamentally important that they made a profit, without which they could not begin to be sustainable in non-financial terms. However, all of the interviewees went on to qualify this with further explanations as to how a dominant financial pillar is not necessarily a bad thing. That is, they justified the pursuit of business goals in terms of the social and environmental benefits that arose from their activities. The growth/impact conundrum was rationalised in three broad ways: by pointing towards the organisation’s environmental responsibility or improvements in spite of growth imperatives; by emphasising the social benefits that arise from the organisation’s activities; and by admitting that conflicts exist between commercial and socio-environmental criteria but suggesting that a balance can be successfully found between the three.

#### 9.4.1 Environmental Responsibility

This conflict rationalisation refers to the direct questioning of the applicability of the business growth/environmental impact conundrum. Many of the interviewees, although not denying that such a conflict existed (although in some cases they did deny this), presented arguments that aimed to present their organisations as environmentally responsible in spite of the tensions that the conundrum presented.

Many of the interviewees questioned the growth/impact conundrum in terms of eco-efficiency. Two interviewees actually remarked that growth helped in this regard because of the economies of scale that it brought:

*“If you are making spoons, if you are making ten thousand spoons, you can make them much more efficiently than if you are making three spoons. So you will be looking at less resources to do it.”* (CSR Manager, Speciality Chemicals)

The other interviewee described how growth meant that, instead of energy going up in an exact correlation with number of units, the energy per unit graph looked more like that of diminishing marginal utility. Thus, resource requirements per unit were going down, which is a good thing. In

both cases the researcher pointed out that such an improvement in efficiency may actually be outdone by the company's growth, resulting in a larger environmental impact overall. One of these two interviewees admitted that this was indeed a contradiction, but that all they could do was to try and improve as best they could. The other interviewee was somewhat more defensive:

*"I think that is where the business responsibility is: improving your resource consumption per unit of your activity, rather than looking at your total [impact]. If you are looking at limiting business's scale according to some environmental footprint, then you are limiting their ability to grow, and that is not useful I don't think."* (CSR Manager, Speciality Chemicals)

Another interviewee questioned the growth/impact conundrum, not so much on the grounds of eco-efficiency as on renewable resources:

*"We are using more paper and therefore the Greenpeaces of the world would say you have to have paper and therefore you have to have trees to manufacture it from. The key to it is not that you use paper or you chop down trees, it is what you plant. Therefore it comes back to the sustainable growth issue, which is perfectly acceptable. That is what [company X's] purchasing policy says, for our main raw material. I would like [company X] to produce many more books than they are producing at the moment, but I know they are coming from sustainable forests."* (Purchasing and Internal Affairs Director, Publishing).

Other interviewees who stressed the positives of improved efficiency invoked slightly more sophisticated arguments in their defence. They described how efficiency meant an overall improvement for society or the environment, rather than being outdone by growth, because they were competing on increasing their share of a market that did not grow:

*"And it is OK for me to say that we should be sustainable [financially] because if we are doing stuff that is better than other people in the arena, then it is better that we should be here, than we should not be here. At the moment we are seen to be amongst the organisations that are doing this stuff in terms of construction design, the way that we are training and developing people, looking at community activities and things like that. If we weren't doing it, the average would step down wouldn't it? If we are pushing right at the front end, what we are hoping is to show people is that we can do it right, and that we can do it right for the business as well."* (Engineering and Environment Director, Construction)

*"This business is quite different to a more consumer oriented industry. So, for example, you can sell lots more televisions by doing lots more marketing or by changing the product in a way that you are creating a new market... Now with raw materials it is basically like government build stuff and people build stuff, and they build at a certain rate. You can't, there is very little that you can do to make people build quicker... Basically what everyone is trying to do is compete in terms of differentiating service and value added: so producing existing products that do the same job. So you have just got product substitution going on all the time and competition around differentiation to take a bigger slice of the cake. So the point of the argument is that if the cake has an environmental impact of x, if we take a bigger slice of the cake, then the overall impact of the industry drops."* (Environment Manager, Extractive)

One interviewee similarly described how their competing for a bigger slice of the energy market and growing their business would be beneficial for society because less oil would be used and therefore CO2 emissions for the sector would be down:

*“Yes, we recognise that gas contributes to climate change. It is the least harmful fossil fuel but it is still a fossil fuel. And we are focusing on the efficient use of gas. All the indicators are that gas consumption will continue to grow and replace the other fossil fuels. We see gas as a bridge to the future, future energy.”* (CSR Manager, Oil and Gas)

A similar argument about climate change was made also by the interviewee from the nuclear industry. Additionally, a couple of interviewees from the water industry pointed out that they could only organically grow their business on the waste management side because of regulatory stipulations. Again, they argued that this would not represent a conflict because they would actually dealing with society’s waste in the most sustainable fashion.

A few interviewees questioned the validity of the growth/impact conundrum on the grounds of technological development. They argued that if growth was coupled with the introduction of more environmentally friendly technology, then their business could grow without increasing its overall impact:

*“Well it is all to do with, well if you become more profitable it may be because of new technology. It is probably more likely to be. Any big changes in the future and if anything changes in building, it is going to be big. The way we are building today hasn't changed for thousands of years. We are still using brick and blocks. There is a lot of scurrying around going on in the construction industry...We could get more busy and have a lower footprint because of technology. It could be pre-fabrication on site, use of different materials...So that traditional adage that if you become more profitable, then you are going to have a greater impact...unless new technology comes into the equation. Without that new technology, it would be correct.”* (Environment Manager, Property Developer)

#### 9.4.2 Emphasising the Social Benefits

This conflict rationalisation refers to the way in which a number of interviewees took emphasis off of the conflict between business growth and environmental impact by bringing into the discussion the positive social impacts arising from their organisations’ activities. For example, a few interviewees re-framed the conundrum between commercial and socio-environmental considerations by pointing toward the conflicts between social and environmental itself:

*“The most difficult thing is to get the balance between the conflict of social and environmental isn't it? If we are building, the architect wants to put nice granite cladding on the building; do we buy the granite cladding from Cornwall? There are a small number of people employed, we have got to ship the stuff up from Cornwall and it is probably quite expensive. Or do we ship the stuff up from*

*China? Import it and incur all those transport things, things like that. In China you might be employing 1,500 people in a quarry whereas in Cornwall you are employing 10 people. It is very difficult to make these sort of judgements, very difficult.*” (Engineering and Environment Director, Construction)

This interviewee then went to put the conflict between social and environmental considerations in starker terms when talking about his organisation’s environmental impacts:

*“We could shut down all the quarries in this country, not take any more stone out of the ground, but then people would have to go back to living in mud huts, things like that.”* (Engineering and Environment Director, Construction)

A number of interviewees made arguments along similar lines, namely that they had an environmental impact but that there were social positives at the same time.

*“No one is going to build a chip manufacturing plant or a vehicle manufacturing plant in a country where they don't know if the power supply is going to be there. If they build a reliable power supply, other industries will actually move in. So that is inward investment. It is jobs, so people start paying taxes. So the secure, reliable, stable energy supply is key to developing countries.”* (CSR Manager, Energy)

*“If we close down, there will be no impact. But what about the jobs? You know, you have to take it to the logical extreme.”* (Communications Manager, Property)

The variety of social benefits outlined by interviewees included, not just employing people, but the products or services that the company offered as well. This interviewee, in a somewhat excited fashion, talked about the social and economic benefits that were made possible by the activities of her organisation, and her sector generally:

*“Ultimately the UK is an island. People use the plane because it is cheap and you can get there much quicker than by train or car so I think the social and economic benefits are greater for air travel...Environmental costs are obviously really important and we are doing all we can within the industry...but ultimately we can't take away people's demand to air travel...people's right to travel regardless of the environmental cost.”* (Public Affairs Manager, Aviation)

Another interviewee also mentioned the constraints imposed by other parties when talking about the conflicts they faced in trying to provide affordable medicines to people in Africa. He talked about the potential double standards of their having product donations in the wealthiest country in the world (the US), but not in the poorer countries:

*“Here, the sentiment of public opinion in this country is that pharmaceutical companies should be making more low price medicines available in Africa and what have you, and yet we are happily employing nurses from Malawi and what have you in our Healthcare system. Actually, one of the things that is holding up healthcare in places like Africa is the absence of an infrastructure. So the very people that might be in a position to start providing an infrastructure, are working here, in*

*terms of training nurses and that sort of thing. It is not an easy debate, I must say, and pharmaceuticals being one of the few for profits in healthcare, is an easy target. You don't here big stories about nurses being paid less to make medicine more affordable. You do hear stories about pharmaceuticals earning less.”* (Marketing Director, Pharmaceuticals)

#### 9.4.3 Finding/Maintaining a Balance

This conflict rationalisation refers to the way in which interviewees accepted the existence of conflicts, but suggested that they were manageable in some way. Many interviewees, for example, talked about sustainability in the context of conflicts, in particular the “three pillars of sustainability”: economic, environmental and social. Although not denying the existence of conflicts, did suggest that their organisation found a balance between the economic, the social and the environmental.

*“As long as they are all being considered, it is trying to get a balance between them. I work on the Sigma project. I sit on the committee to make that into a standard. That is looking at how do you have evidence that sustainability: environment, social and economic, are being integrated into decision making processes? I think that provides a framework for the decisions that the management team make. I think it allows for decisions to be made on a more balanced perspective.”* (Sustainability Manager, Utilities)

*“So you have got these 3 pillars: the business needs to satisfy investors and other stakeholders; you got environmental needs; and you have got customer needs. OK we charge customers what is an agreed figure. What more can we put back into that community to benefit it? We do run charitable funds to actually support activities like that. We try to put back into the sector what we can. These are the tensions that you get all the time.”* (Environment Manager, Utilities)

This interviewee said that because of these tensions, sustainability was actually unachievable. He preferred to think of sustainability as a constant journey rather than a steady state. Another interviewee was quite clear about the environmental impacts that his organisation had, but still argued that there was a sustainability case for them continuing their activities on the grounds that the alternatives were problematic and that rapid change could be destructive:

*“If we switched off and went into wind power, well look at the resistance to wind planning for wind farms in the UK, and increasingly for offshore developments as well. we are undertaking to make enormous investments in renewables in the next 6 months but it is still very much the case, and it is a case that can be made within the SD [Sustainable Development] agenda, to continue operating conventional power stations. The reality is that, yes they have an impact but if we stopped using them then that impacts on us economically as a company. Again, looking at it from an SD point of view.”* (CSR Manager, Energy)

Nevertheless, even where interviewees did recognise that it is impossible to satisfy all parties, they did imply that they had achieved some sort of workable balance:

*“What we try to do is provide a balanced approach to reporting that answers as many of our stakeholder demands as possible. Where a stakeholder wants more information we are happy to provide it. But I think that with an organisation such as ours where we have got so many stakeholders it is quite difficult to say that you are pleasing everybody 100%”* (Public Affairs Manager, Aviation)

Another interviewee talked about balancing stakeholder expectations in the context of providing returns to their shareholders:

*“Of course we have got to satisfy them [shareholders] to a certain level. They will have different concerns to other stakeholder groups. So you have to satisfy their particular concerns in that way but you have also got to recognise that other stakeholder groups have their own concerns and that you have to try and balance them all. We do try and do that. If you read the literature that we have on our website...I think you will see that we have tried our best to take this balanced approach between shareholders and customers and the environment as well.”* (CSR Manager, Utilities)

Another interviewee described how financial considerations were pre-eminent, but that they still manage to come out positive overall in terms of social and environmental responsibility. Rather than a win-win, he described a mixture of various wins and losses:

*“We can’t invest like Shell or BP in hydrogen cells, renewable energy. We have looked at all of these things but it is not something that is commercially viable at the moment. So are we contributing to sustainability? I take that are we balancing what we take out? No it is impossible. I don't think there is any small or medium company who can balance what they take out. We create jobs for people and contribute to various oil provinces, West Africa for example.”* (CSR Manager, Oil and Gas)

He then went on to describe how this mix of wins and losses could be turned into an ‘overall win’:

*“I think it is impossible to have a commercial activity, certainly in our sector, without an environmental impact. It is impossible. You will impact on the environment, full stop. Whether you manage that, and leave a net positive impact or at least put in place the type of plans that make your impact not just acceptable, but preferably minimum or zero, if that is possible at all, but always strive to have a positive impact. Then I think you have a licence to operate.”* (CSR Manager, Oil and Gas)

## **9.5 Summary**

This chapter has presented the discussion that was had around the pervasiveness of the business case as regards to both CSR and SER, and what any such pervasiveness implies for an organisation’s ability to be responsible. As with the previous two chapters, a more substantive reflection and discussion on the interview data will follow in chapter 10, whilst a summary of the main points will be offered here. The prevalence of the business case was elucidated by discussions

around financial constraints, seemingly philanthropic activities and pressure from the city. In addition to these constraints, interviewees also outlined a number of constraints on their ability to be responsible that were set by other groups such as customers, suppliers, the government and regulatory authorities. Related to this was the notion, evoked by some interviewees, that there was a limit to business's responsibility as regards to socio-environmental issues and that business was only part of a wider system. In that respect, it was suggested that business is a key partner in moving towards sustainability, but that society must shoulder the burden also.

As regards to the Ecological Footprint, the interviewees showed reluctance on the basis of a number of factors. The time and resource requirements that the interviewees perceived as necessary for calculating an Ecological Footprint were seemingly an important reason for not undertaking one. However, the major reluctance towards an Ecological Footprint seemed to derive from the lack of a perceived business case for such an undertaking. The interviewees articulated two broad reasons as to why an Ecological Footprint would not "add value" to their current CSR and SER. Firstly, it was argued that it would not help in identifying or measuring organisational impacts, as the organisation was generally already doing this. Secondly, it was suggested that an Ecological Footprint would create the wrong impression by showing that an organisation's overall environmental impact was going up without factoring in efficiency improvements or other benefits. Thus, it was deemed better to focus on individual impacts rather than an aggregate figure. Two of the twenty interviewees who were engaged in a discussion around the Ecological Footprint were very keen on the idea, having recognised business reasons for doing so.

As regards to the implications of the business case for an organisation's ability to be socio-environmentally responsible, interviewees were probed on their perceptions as regards to the congruence of commercial and socio-environmental criteria. Many interviewees did not initially perceive there to be any conflicts between business-economic goals and socio-environmental criteria. When posed with the notion that there may be a fundamental conflict between business growth concerns and environmental impact, the interviewees generally responded by questioning the validity or significance of such a conflict. They did so in three ways. Firstly, the conflict was called into question on environmental grounds. The majority of these arguments focused on improved eco-efficiency as indicative of an improvement overall in an environmental sense. Even where the organisation's own impact had increased, the overall impact of the sector would have been reduced because their business growth would indicate taking business away from less eco-efficient competitors. Another set of arguments referred to social considerations. Although not

denying a conflict between business-economic and environmental impact, a number of interviewees stressed the positive social benefits that arose as a result of that environmental impact. Thirdly, a number of interviewees, particularly in the context of sustainability, talked about how they could balance the various tensions that exist between the economic, the environmental and the social.

## **Chapter 10** **Summary and Discussion of Findings**

### **10.1 Introduction**

A wide array of different business case reasons was outlined by the interviewees (35 were identified by the researcher during the data analysis phase). As explained in chapter 6, the researcher has collapsed these individual free nodes intuitively into the more general groupings that were described in chapter 7. This chapter attempts to make sense of the variety of different motivations articulated by the interviewees. In particular, it will show how each of the different motivations articulated by the interviewees forms part of an overall business case discourse. Even the socio-environmental drivers seem to be imputed only insofar as there is a business case to do so. Notwithstanding a critical interpretation of the seeming dominance of the business case *per se* (see the following chapter in particular), it may be of interest to consider the multifarious and interconnected nature of the business case, and how different business cases manifest themselves across firms. The chapter is a summary of interviewee articulations and also a precursor to the more explicitly theoretical interpretation that appears in the next chapter. However, some of the implications for current understandings of SER of these various motivations will be discussed throughout the course of the chapter.

The chapter is arranged as follows. Firstly, the different sets of motivations that appear to exist across firms will be discussed, showing how the motivations for SER are complex and multifarious. An attempt to draw out some industry patterns reveals only a couple of tentative relationships. The majority of motivations appear to be firm specific. In section 10.3 an attempt is made to summarise the motivations and make sense of them in accordance with which seem to be the most dominant. Reputation risk and stakeholder management were the most cited themes. Closer consideration of these motivations to SER and CSR implies that there is significant crossover between different motivations. In particular, the overlap between reputation risk management and financial market pressure appears to be very strong, although the former is not merely a sub-set of the latter, at least not in every case. Stakeholder management also overlaps with reputation risk management and, in turn, financial market pressures. However, this is again only one of set of overlapping factors. SER and CSR do not seem to be driven purely by financial market pressures. What appears to be the case is that SER and CSR is motivated by a series of dynamic interactions between different motivations, each of which are distinct, yet interconnected with other motivations in the business case of each firm.

Section 10.4 discusses the audiences for SER, drawing out further some of the different reporting-specific motivations. Again, this implies that SER is driven overwhelmingly by a business case. The dominance of the business case is considered in section 10.5 where purported socio-environmental motivations are considered critically and in the context of the discussion with interviewees on limits. The implications for SER of this business case dominance are considered in section 10.6, where fuller accountability seems to be constrained by business case factors. What current theorisations in the SER literature say about the data is discussed in section 10.7. On one level SER motivations are complex and these cannot be fully explained by current dominant theorisations in the SER literature. However, the dominance of a business case *per se* can arguably be made intelligible from a Political Economy perspective. Finally, the discussion around conflicts is summarised in section 10.8. The interviewees actively dissolved potential conflicts between commercial and socio-environmental criteria. These dissolutions seem to be strongly related to the tendency to ground SER and CSR within a business case. This implies that managerial perceptions are skewed by business case imperatives and that there are ideological obstacles to more complete reporting.

## **10.2 Why Report**

The notion that reporting motivations are complex and multifarious resonates with previous fieldwork studies in the area (see, for example, Adams, 2002; Larrinaga-Gonzalez and Bebbington, 2001; Larrinaga-Gonzalez *et al*, 2001; Miles *et al*, 2002; O'Dwyer, 2002, 2003, 2005; O'Donovan, 2002; Rahaman *et al*, 2004). However, what these studies perhaps do not account for is the way in which these motivations differ across firms. Buhr (2002) notes different sets of circumstances and pressures triggering initial decisions to report. Buhr's (2002) case study looked at only two firms whereas the sample here provides evidence across a much larger sample. O'Dwyer (2003) did conduct a larger study in Ireland although his focus was on CSR rather than SER. Bansal and Roth (2000) similarly describe a variety of different reasons as to why different firms will be ecologically responsive, although they again do not consider SER *per se*. The one UK study that has sought to explore the various motivations across firms is that of Miles *et al* (2002) who observe a number of different motivations for initiating SER as well as for continuing to report.

This seems to be the case here also, with each interviewee configuring multiple and different combinations of reasons for the existence of their organisation's SER and CSR. Table 1 in section 11.2.1 simplifies the situation somewhat by condensing the motivations into the general themes that

will be used to structure the meta-story. However, the summary table still clearly shows that SER and CSR are motivated by multiple reasons. Further consideration of each motivation below implies that there is significant overlap between many of the motivations. The dominant themes were identified as *reputation risk management* and *stakeholder management*. These were articulated by virtually all of the interviewees, and where one was not, the other was (see below for a discussion of the interconnections between these motivations).

### 10.2.1 Cross-sectoral

As can be seen in table 2 below, the motivations ascribed to SER and CSR vary across firms. The sample was based on the ACCA Reporting Awards shortlist and the primary focus was on best practice generally rather than specific sectors. However, the data has been interrogated here in order to tease out any similarities and differences across sectors. The final sample is such that a meaningful sectoral analysis has not been possible. Nevertheless, a number of issues may be worthy of note. The only analysis of any sector that has led to an interpretation of some solidity is that of the Water industry. Four water and waste organisations were interviewed. All four talked about how they were inextricably linked up with the environment and so they had to take care of it in order to do their job. This stands out from the other interviews. One water company's motto is actually "the environment is our business". Unsurprisingly therefore, environmental management was a big element of water companies' approach to this area. The water company managers also generally had a more sophisticated understanding of sustainability. They looked beyond, at least in the discussions, their own organisation and considered society's waste streams, at times invoking more holistic conceptions of the organisation in its environment. Two of the interviewees had sustainability in their job titles.

The reasons for the seemingly more advanced thinking on sustainability may be speculated upon. Clearly such a regulated industry would likely have a fairly consistent approach to environmental matters. The regulator demands a lot of information from them and one of the interviewees cited this as a reason for the generally high quality of SER in the sector. However, three of the four interviewees bemoaned the lack of understanding that the regulator has as regards to sustainability and their short term five year regulatory cycle that discouraged long term investments. The interviewees suggest that they are not simply reacting to regulator pressures to be sustainable. Rather, the market and business need to manage environmental impacts and create a good reputation for this is really driving what they are doing. Of course the regulator demanding clean, safe drinking water is fundamental to that, but there are other drivers that push their thinking on

sustainability. However, it should also be noted that social justice issues didn't feature in the discourse of these interviewees.

**Table 2: Summary of Motivations by Industry**

| Industry            | Motivation/<br>Interviewee | Socio-<br>Environ-<br>mental | Business<br>Efficiency | Financial<br>Market<br>Related | Reputation<br>Risk Mgt | Stakeholder<br>Mgt | Mimetic | Internal<br>Champion |
|---------------------|----------------------------|------------------------------|------------------------|--------------------------------|------------------------|--------------------|---------|----------------------|
| <u>Aggregates</u>   | EM1                        |                              | X                      | X                              | X                      | X                  | X       |                      |
| Construction        | EED1                       |                              |                        |                                | X                      | X                  | X       |                      |
| Construction        | EM3                        |                              |                        | X                              | X                      | X                  |         |                      |
| Property            | CM1                        |                              | X                      |                                | X                      | X                  |         |                      |
| Mining              | SDM3                       | X                            | X                      | X                              | X                      | X                  | X       | X                    |
| Energy              | CSRM2                      | X                            | X                      |                                | X                      | X                  |         | X                    |
| Energy              | CSRM5                      |                              |                        | X                              | X                      | X                  | X       |                      |
| Energy              | CSRM3                      | X                            |                        |                                | X                      | X                  |         | X                    |
| Oil and Gas         | CSRM6                      | X                            |                        | X                              | X                      | X                  |         | X                    |
| Oil and Gas         | CSRM1                      | X                            | X                      |                                |                        | X                  |         |                      |
| Utilities           | SDD1                       |                              |                        | X                              | X                      |                    |         |                      |
| Utilities           | SDM1                       | X                            | X                      | X                              | X                      | X                  |         |                      |
| Utilities           | CSRM8                      |                              | X                      |                                | X                      | X                  | X       |                      |
| Utilities           | EM2                        | X                            | X                      | X                              |                        |                    |         |                      |
| Specialty Chemicals | CSRM11                     | X                            |                        | X                              | X                      | X                  | X       |                      |
| Financial Services  | SDM2                       |                              | X                      |                                | X                      | X                  | X       | X                    |
| Financial Services  | CSRM                       |                              |                        | X                              | X                      | X                  | X       | X                    |
| Aviation            | PA1                        |                              |                        | X                              |                        | X                  |         | X                    |
| Services            | BPM1                       | X                            | X                      |                                | X                      |                    |         |                      |
| Pharmaceuticals     | MktD1                      |                              |                        | X                              | X                      | X                  |         |                      |
| Publishing          | PIAD1                      | X                            |                        |                                | X                      | X                  | X       |                      |
| Logistics           | CSRM7                      | X                            | X                      |                                | X                      | X                  | X       | X                    |
| Telecomms           | CSRM9                      |                              |                        |                                | X                      | X                  |         |                      |
|                     | <u>Total</u>               | 11                           | 10                     | 11                             | 20                     | 20                 | 10      | 8                    |

Furthermore, one of the interviewees in the water sector was developing a “spido-diagram” to cover overall impacts. This was driven not by regulatory pressures for information but by a business case to evaluate the impacts and cost implications of future projects. Perhaps this sector is different from others in that their product is one that is beneficial and unquestionably necessary for survival. The

seeming business case for an Ecological Footprint type analysis in this instance *may* be underpinned by the fact that the organisation is from a highly regulated industry where there is no competition. Unlike unregulated industries, or even regulated industries subject to competition, organisations in regulated industries, where there is a desire, can be more proactive in proposing sustainable solutions because the cost implications will be covered by the end customer who has no opportunity to switch suppliers. Incidentally, in this instance, the interviewee was clear that they could pursue only those sustainability initiatives for which there was a business case. The business case is therefore just as dominant here as with other organisations. However, it may be that the business case in this industry offers more possibility to deliver activities that are in the public interest because of the regulated environment. Alternatively, it may be that the business case articulations of the interviewees are more rhetorical as the discipline of the market is not as immediate.

This indicates that sectoral particularities do exist. However, the remaining companies interviewed were drawn from various sectors. Even those from the same sector had operations that were in some cases quite different from one another. It was therefore difficult to form further pictures regarding sectoral approaches to CSR and SER. A tentative argument could be made that service companies had a somewhat less sophisticated approach to CSR/SER than companies from more operations intensive industries. This may be explained by the fact that the service companies had only more recently established CSR programmes or SER structures. The reason given by a couple of these interviewees for the emergence of these programmes were attributed largely to the proactive identification of a business case rather than responding to external pressures (the latter being more prevalent in the case of organisations whose primary operations were associated with higher environmental impacts). However, only four service companies were interviewed, two of which were the non-reporters in the sample. This latter point may itself say something, but the overall sample was not constructed in a way to allow any conclusions to be made regarding ‘operations’ companies versus ‘service’ companies.

The service companies, being in the early stages of CSR development, were looking to integrate their CSR practices more closely with business benefits. This may in fact point towards the most interesting difference across companies: relating to the degree of formalisation of their CSR strategy. Those companies that had longer established CSR programmes and had invested more resources (in the way of staff employed on CSR issues for example) generally articulated that their CSR activities and SER were more closely tied in to identifiable business benefits. This degree of formalisation may well be explicable by reference to industry factors or other characteristics such as

firm size but, again, not much can be said about that with certainty. Suffice to say that the organisations with more established CSR structures appear to be those who have more coherent and sophisticated business case arguments.

There does also appear to be a preponderance of business efficiency motivations (which incorporates managing impacts and energy costs) among operations-intense industries. This would perhaps have been expected given the increased cost implications associated with these organisations. However, apart from this tentative correlation, it is not clear that any of the other motivations are related to industry factors. Reputation risk and stakeholder management, for example, seem to be applicable to all industries. The existence of financial market and mimetic pressures and the existence of internal champions does not seem to relate to industry either but rather may have a stronger correspondence with firm-specific variables.

#### *10.2.2 Cross-positional*

Differences (of form perhaps rather than substance) also varied with the position of the interviewee within their company (see appendix two for matrix by position). For example, although the water companies generally exhibited a more sophisticated understanding of sustainability issues the one Director interviewed from a water company viewed sustainability purely instrumentally. He noted how he looked admiringly at BP who, in spite of their “inherent unsustainability”, had managed to raise their profile due to “one or two SD initiatives”. Sustainability was all about raising the profile of the company for him. Although the other interviewees were dominated by business case, they seemed to engage in more of a struggle to try and understand why their organisation was reporting and engaging in socio-environmental initiatives.

This was broadly indicative of all of the interviewees. The five directors interviewed were very matter of fact about where CSR/SD slotted into their company’s overall strategy, and what end it served or did not serve corporately. Although there appeared to be wide ranging views on what was meant by sustainability generally across all interviewees, those further down the organisational hierarchy were more inclined to discuss and try and understand what this concept meant. However, their thinking was ultimately constrained by business case imperatives. Although they may have exhibited thinking about life cycles or interconnected impacts, their ‘corporate’ thinking was very much grounded in terms of what was business relevant. In-depth thinking about sustainability appears to exist in the form of fleeting ponderances, rather than being actually pursued in the corporate context.

Industry and positional differences may well exist, although these have not been explored in any great depth in the study. Rather, what the thesis has explored is how motivations differ and cohere across firms generally.

### **10.3 Dissecting the Business Case**

#### *10.3.1 Market Driven, Reputation Risk Management and Business Efficiency*

Pressures arising from the market seem to have a significant influence on SER in particular. Little discussion was had of how the specific *form* that reports took was driven by market concerns, but reporting *per se* was clearly a response to market pressure for around half of the interviewees. A few interviewees described how the market was the key factor in *initiating* their SER, whilst others described how their SER had *developed* and *expanded* because of a perceived demand, emanating from the market, for additional information. Of particular interest is that this response to market pressures was bemoaned by some interviewees as something of a defence mechanism. Rather than something that organisations could do to proactively “add value”, SER (it seemed, rather than CSR), as far as it was market driven, was viewed as market compliance. Although some interviewees described how they were trying to make the market recognise the value of their CSR activities (via their SER), the reality was that the best they could do would be to anticipate future market demands. This was because only a very small percentage of market participants, i.e. ethical investors were interested. Nevertheless, this small percentage of one stakeholder group may hold more influence ultimately than any other stakeholder group *in toto*. Indeed, reputation risk management seems to be largely (although not exclusively) market driven. Even though risk was conceived of by the interviewees as incorporating a number of different factors, including “risk to persons, risk to operations, risk to maintaining or not obtaining the license to operate from the community point of view” (*CSR Manager, Oil and Gas*), it may be that this is all ultimately conducive to demonstrate good risk management to the financial markets primarily.

A sizeable minority of interviewees used the actual terminology “risk management”. This in itself may have interesting linguistic implications. One interviewee was fairly explicit that the market was forcing organisations to, not only manage risks, but to talk the language of risk management also:

*“People always talk about ‘we have fully integrated our systems, we have a triple bottom line’, and all that, but that is just to make more money. Because they have been pushed into a position by their stakeholders or they are going to be pushed into that position by their stakeholders to talk that language. So people say we are going to talk that language now, because hopefully it will give us some strategic advantage. That is*

*what you are seeing. You are seeing people jostling people for the marketplace that is reputation, to hopefully secure investment from very large funds, owing to being able to demonstrate excellent risk management in the medium and long term.”* (Environment Manager, Extractive)

The above quote also highlights the crossover between risk and reputation.

Thus, the interviewees suggest that organisations must respond to the market rather than the other way around. As Thielemann (2000) notes, the market is characterised by systemic competition that generates growth. This competition, argues Thielemann (2000), is actually the constant process of eliminating market-alien values<sup>1</sup> wherever they arise. Ethical considerations in this framework embody such market-alien values that must be overcome. However, the exception to this is where ethical considerations are actually conducive to profit or utility maximisation. The bemoaning of some interviewees was based not on market non-recognition of ethical considerations, but the non-recognition of the value (profit implications) of certain ethical initiatives undertaken by the interviewees' companies. Thus, not only does the market seek to overcome ethical considerations in their own right, it is not 'efficient' enough to recognise those (sic) ethical considerations for which there is a business case. Nevertheless, this is the market that is driving CSR or, rather, on the grounds of the above argument, promoting a CSR that is devoid of many ethical considerations.

Business efficiency motivations such as cost savings or the managing of energy usage were cited as important for some interviewees but, overall, business efficiency was not as salient as other, less tangible business concerns. Although business efficiency may be considered a stand-alone concern, i.e. businesses have to retain some degree of efficiency in order to maintain liquidity and viability on a day-to-day basis; it is also a demand of the market. Thielemann (2000) argues that market participants (firms, being one example) must strive to become ever more “efficient” in order for them to compete. This is not an end in itself but, Thielemann (2000) suggests, dictated as necessary by the character of the market. The alternative to efficiency and competitiveness is to exit the market. Therefore, if firms wish to satisfy market pressures, efficiency is a prerequisite.

### 10.3.2 Stakeholder Management

There was much talk of societal and stakeholder expectations and reporting was generally seen, in part, as a response to those expectations. Even the two non-reporters interviewed cited an absence of stakeholder demand or pressure for their non-reporting. Thus, it seems as though stakeholder pressure, in the general sense, may be a key factor in influencing the decision of whether to produce

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<sup>1</sup> Being those values that are different from profit or utility maximisation (Thielemann, 2000, p.14).

a stand alone SER (see also Miles *et al*, 2002). In turn, this managing of stakeholder relations seemed to be viewed in some instances as a form of risk management. A few interviewees described how everything that they do in the CSR arena might be thought of as contributing to the management of risk in some fashion. There is therefore clearly some crossover in the motivations articulated by interviewees.

More specifically, actual stakeholders mentioned were NGOs, the Government, customers, the regulator, the local community, suppliers and employees. Employees in particular were discussed in some detail by quite a few interviewees. The mind map (see appendix 3) reflects this more in-depth discussion by ascribing a separate sub-section to employee related motivations. Similarly, customers and regulation related motivations were coded and described separately. Again, this reflects the depth gone into by some interviewees when describing motivations related to these factors. It should be noted that just because customer and regulation are ascribed separately, they may not be more important than say government pressures, which were cited by a greater number of interviewees, but not discussed in any detail. The preceding narrative on motivations in chapter 8 and accompanying mind map therefore reflect depth rather than breadth in this respect. Given more time during the interviews, perhaps questions relating to the relative importance of various stakeholders could have been asked, thus exploring these issues in more detail. As it stands, the stakeholder management section in the motivations narrative and on the mind map and does not claim to represent relative importance of stakeholders (although employees were cited by a large number of interviewees, and discussed in-depth by quite a few also), but to show how stakeholder management *per se* is an important motivation for organisational SER and CSR.

Again, stakeholder management was talked about in the context of the business case for it. Interviewees described the need to manage changing perceptions; generate trust; improve relationships with stakeholders; and to ease the process of planning applications and new developments. These benefits are all clearly inter-related and no attempt has been made here to show the intricacies of this inter-relation. Rather, the preceding discussion and accompanying mind maps show how stakeholder management is overwhelmingly looked at in terms of how it can help the business achieve its goals.

For example, staff related motivations/benefits cited included increased morale. This seemed to be treated not as an end in itself, but as something that would benefit the business. Similarly, an improved reputation on the CSR front (whether achieved through reporting or other means) was

mentioned by a few interviewees as impacting positively on staff retention and the attraction of better quality staff, graduates in particular. Finally, CSR initiatives such as employee volunteering and community projects appear to be used as both reputational vehicles and also opportunities for staff to develop their project management skills.<sup>2</sup> Furthermore, the stakeholder management of the regulator and customers is clearly driven by, respectively, a desire to comply with regulation (and also to change that regulation so that it is more favourable) and to meet customer demand.

Therefore, there would appear to be a strong business case for stakeholder management. The management of stakeholder relationships seemingly arises not out of empathetic or compassionate stakeholder concerns so much as it arises out of the business need to manage these relationships and, in some cases, *to show the financial markets that these relationships were being managed*. In other words, the management of diverse stakeholder concerns may in some respects be reducible, ultimately, to the managing of shareholder concerns. However, this is somewhat speculative. Stakeholder management is also an end in itself, necessary for the day-to-day running of the business. Also, the two unlisted companies mentioned stakeholder management in various forms as rationales for their SER and CSR. Stakeholder management is therefore considered here as a motivation in its own right although the potential links that it has with other motivations, such as demonstrating sound risk management to the financial markets, should perhaps be borne in mind.

### 10.3.3 Mimetic

The peer pressures and need to follow “best practice” motivations may not seem, at first glance, as tangible business cases so much as they seem to be merely “jumping on a bandwagon” (CSR Manager, Energy). However, a couple of interviewees outlined a tangible business case for “jumping on the bandwagon”. Not following best practice or mimicking peer developments would create pressures on the company. One interviewee described how employees would start to question whether they should be working for a company that does not have visible CSR credentials. Another described how ignoring peer pressure would result in them appearing on “lists of shame”. This suggests that SER and CSR are defence mechanisms, tools by which to avoid negative situations, or to avoid being left exposed.

These peer pressure motivations, although seemingly constituting a tangible business case, do ask some serious questions of the type of SER and CSR that is being implemented. If “best practice” can be considered a positive development as regards to the social responsibility of business, and if

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<sup>2</sup> See the philanthropy section in the Limits chapter for the discussion of how even seemingly philanthropic activities are used instrumentally to achieve business goals.

those who mimic that best practice do so in a substantive fashion, then mimetic pressures may bring about positive social change. However, should only one of these two conditions not be fulfilled, then the equation collapses.

DiMaggio and Powell (1983) describe how organisations come to resemble each other in institutionalised fields through the process of institutional isomorphism, which is: “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (p.149). Organisations will begin to resemble each other if they can obtain legitimacy through doing so; if they seek to reduce uncertainty; or if their practices become professionalised. Arguably all three processes are taking place in SER and CSR. For example, the interviewees’ talk around obtaining a licence to operate and demonstrating good risk management may be thought of as obtaining legitimacy from various stakeholders. The peer pressures to conform to certain reporting structures relate to this need for legitimacy, but may similarly be internalised and responded to in order to reduce uncertainty. Indeed, a couple of interviewees cast aspersions on the applicability of peer pressure as a driver, accusing other companies of just “jumping on the bandwagon”. It was perceived by at least a couple of the interviewees that some organisations pursue SER and CSR for no reason other than other organisations are doing it. Finally, the increased diffusion of SER standards such as the GRI and AA1000, and CSR standards such as Sigma and UN Global Compact may be indicative of the increased professionalisation of both SER and CSR

Isomorphism, argue Meyer and Rowan (1977), is generally more symbolic than substantive. Meyer and Rowan (1977) question whether formal organizational structures closely reflect their underlying activities. Rather, firms in highly institutionalized contexts build their structures around the policies and professional characteristics of those institutions. Incorporating prevailing institutional concepts, such as best practice guidelines such as the GRI, means that organizations “increase their legitimacy and their survival prospects, independent of the efficacy of the acquired practices and procedures” (Meyer and Rowan, 1977, p.340). The most important aspect of this isomorphism Meyer and Rowan argue is the evolution of organisational language. Therefore, one infers that peer pressure brings about changes in the discourse employed by organisations, but not necessarily their activities. In other words, business as usual with a new front cover.

However, SER and CSR seem to represent more than just business as usual with a new description of those activities. Rather, SER and CSR are employed to extend conventional business thinking

into new ethical domains, thereby subjugating socio-environmental concerns to business imperatives (Thielemann, 2000). The interviewee articulations themselves suggest this. In this sense, organisational activities may have changed, only not in the fundamental way that is often suggested by organisational language. Mimetic motivations may be indicative of conformity to certain symbols, linguistic constructs and SER/CSR standards.

The arguments drawn from institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) are offered as tentative explanations of peer pressure related motivations. These arguments may well be able to offer an explanation as to why SER is of such poor quality and how it generally says very little about an organisation's social responsibility or sustainability performance. They suggest that institutional fields tend to detach from underlying substantive activities, becoming language games in their own right. This may well be happening in SER and CSR. More specifically, SER may be the detached language game of CSR (see the following chapter). Moreover, although the interviewees often conflate SER and CSR, thus suggesting that SER and CSR are actually very closely intertwined, this may actually indicate that CSR has itself become detached from substantive notions of social responsibility, and entered a symbolic sphere in inter-relation with SER. Thus, SER functions as a powerful myth that is only loosely related to organisational CSR activities, whereas those activities themselves are mythical in that they are only loosely related to substantive notions of social responsibility.

#### 10.3.4 Internal Champions

In line with previous findings (Gray *et al*, 1995c; Buhr, 2002), key placed individuals within organisations seem to play an important role in the way in which an organisation's approach to SER or CSR takes shape. However, what was not clear from the interviews was why internal champions (invariably CEOs and certain board members) were pushing their organisation down this route. In a post-interview conversation in a lift, one interviewee remarked that the Finance Director in his organisation was really trying to push SER because he saw the link with accounting, in particular, with the new OFR coming in. This seems like a fairly strategic rationale for SER.

However, this comment aside, the other interviewees who talked about the influence that the new CEO has had, or the board generally, did not elaborate on why these individuals were so keen to push SER and CSR. It would be easy to jump to the conclusion that the board recognise the business case for SER and CSR. However, the situation may be somewhat more problematic than that. For example, one interviewee noted a discrepancy between what she defined as the business

case and what the board define as the business case. In that case, it was suggested by the interviewee that board initiatives are taken-for-granted business cases whereas her initiatives required more justification. Galbraith (2004) argues that modern day corporations are increasingly run by management *for* management rather than primarily for shareholders.

Without wishing to go into too much detail on this classic agency argument, suffice it to say that one may presume there to be some discrepancy between management and shareholder interests. The board may well be pushing CSR and SER because they see the business case for it, but they may also be pushing certain things for which there is a 'management case', whatever that case may be (and of course grounding these initiatives in business case terminology in order to justify their pursuit to shareholders). It is not possible to ascertain from the data what type of initiatives the board are actually pushing, and whether they are different in scope and nature from any of the other business case motivations outlined by the interviewees. For example, it may be that management, in some cases, push initiatives that are not tied explicitly to business benefits but which are socio-environmentally motivated. The majority of the interviewees were from below board level and emphasised the need for them to make a business case for any SER or CSR initiatives that they proposed. The board may have more discretion, their dictates being considered as business cases in themselves.

As far as these issues can be explored in the present study, a comparison of the conversations had with board members and non-board members suggests little of any substantial difference between the two. Both the board members interviewed and the non-board members interviewed discussed motivations in the context of the business case for them. There was, in the main, a clear dominance of business case imperatives. Thus, it would seem that directors are driven by a business case just as much as other organisational members. However, one could also question whether the business case arguments presented by the interviewees, and the directors in particular, tell the whole story of why organisations pursue SER and CSR. There may be a need for them to talk the language of the business case. Other, more managerial reasons may therefore not enter into the public discourse of SER and CSR.<sup>3</sup>

Thus, the business case may be a rhetoric. If this is the situation, then anything can be supported provided a business case rhetoric can be found for it. However, it is very difficult to find a business

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<sup>3</sup> This would be a particularly difficult thing to research, and would require extensive psychological and ideological theorising that is outwith the scope of the present study. Nevertheless, it remains unclear what is driving the internal champions of SER and CSR.

case rhetoric for many things that might be considered ‘good’ for society or the environment. Perhaps one of the parameters of the business case is that it must be grounded in a grander discourse of economics and accounting.

#### **10.4 Reporting Audiences**

The narrative on audiences allows for the consideration of motivations specific to reporting. These were conflated in the motivations narrative with reasons given for, not just reporting, but activities more generally. In considering reporting audiences separately here, a number of tensions and further insights are drawn out from the motivations narrative. Furthermore, a discussion of who the relevant publics are for SER information may begin to address a gap in the literature in that regard (although see Miles *et al*, 2002). Overall, it would seem as though the central audiences for the SER of the companies interviewed are investors and employees. Beyond these, other stakeholder groups were also cited, although usually under the banner of “opinion formers”. These opinion former groups included the government, peers and industry associations, NGOs, local communities and universities. Non-opinion former groups that were also targeted by some organisations included customers and suppliers. However, all of these opinion formers and other stakeholders did seem, in the main, to be more peripheral than investors and employees.

Given the above discussion on motivations, the inference that investors seem to be the primary audience for stand alone SER may hardly be surprising given that CSR and SER seem to be driven to a significant degree by market driven imperatives to demonstrate sound risk management. Indeed, previous research has suggested that SER is directed at an organisation’s more powerful stakeholders (Milne and Patten, 2002; Neu *et al*, 1998). Miles *et al* (2002) found multiple audiences for SER and noted that the audiences for SER in the Annual Report were different from the audiences for stand-alone SER: Annual Report SER was directed overwhelmingly at investors, whereas stand-alone SER was directed at both investors and various stakeholders. The focus of the present thesis is mostly on stand-alone SER, for which the interviewees cited multiple audiences. However, investors and employees were clearly of more importance to the vast majority of interviewees. That SER is directed in large part to employees seems not to be reflected in the literature of recent years (a more substantive discussion of this will feature in the next chapter).

However, the importance of the document for audiences other than investors and employees could easily be overplayed. As noted above, a number of interviewees did de-emphasise the importance of

the SER document itself, arguing that it was really just the outcome of a more substantive process of integrating CSR into their organisation. Whether or not the report was actually successful in getting employees on board or in raising their morale was also unclear. Indeed, when asked about the feedback received on their report, the interviewees described what sounded like a somewhat apathetic audience. Some interviewees bemoaned the lack of feedback on their report or interest generally in what they were doing from the outside world, and were keen to explore new ways of engaging people. However, the majority of interviewees did not appear to actively seek feedback on their report, nor did they receive much feedback without actively seeking it. The feedback forms that are generally placed in SERs did not seem to come back in vast quantities. One interviewee told of how they had received five; another fourteen. For a circulation often in the thousands, these are very low response rates. The most common feedback that was received on SERs generally came in a focused manner from ethical investment funds, and in a couple of cases, private investors. Very little mention was made of feedback from employees, NGOs or other opinion formers.

As far as research has progressed in exploring perceptions of stakeholders as regards to SER, there is an indication that NGOs read SERs (see Tilt, 1994) but that they generally consider them to be of poor quality (O'Dwyer *et al*, 2005). Nevertheless, O'Dwyer *et al* (2005) note that NGOs show willingness to engage corporations and their approach to CSR, but are discouraged from doing so because of corporate resistance to engage in a constructive and meaningful (critical) manner. This asks questions of the interviewees here who bemoaned the lack of interest in their activities shown by stakeholders. It may be that corporations are only willing to engage on certain terms. Indeed, a couple of interviewees talked of their wish to include stakeholder (NGO) voices in their report. One company had succeeded in doing so, with their latest report including a page written by an NGO who praised the openness of the company on a specific initiative they had collaborated on. The other interviewee mentioned how Amnesty had refused his company's offer of writing a part in their report that would have similarly described the organisation in a positive light. These two examples may be indicative of the desire to talk and engage with stakeholders only when it is beneficial to do so. There was no indication that stakeholders were invited to lambaste the organisation. Even though one of the interviewees above described how Friends of the Earth had labelled their report as "sophisticated PR", that particular NGO not invited to write a page in the SER.

### 10.5 The Dominance of the Business Case

*Ask not what business can do for society,  
but what society can do for business!*

The variety of different CSR and SER motivations articulated by the interviewees cohere strongly with the findings of Miles *et al* (2002)<sup>4</sup>. However, one area where this study seeks to go beyond Miles *et al*'s largely descriptive study is in providing a critical consideration of the various SER motivations. In particular, this thesis explores the dominance of a business case *per se* for SER and CSR and critically considers what this dominance implies for more complete SER.

SER and CSR seem to be viewed by corporate protagonists as simply representing new areas of business opportunity. The interviewees exhibited a pre-occupation with the business benefits and imperatives that underpin their organisations' reporting on social and environmental activities (SER), and those activities themselves (CSR). This seriously questions any notion that SER and CSR are driven by altruistic concerns. Nevertheless, the interviewees described how CSR or SD (Sustainable Development) has been "embedded" or "integrated" into their organisations. In doing so, they appear to imply that CSR is more substantial than the mere re-branding of 'business as usual' because there have been internal changes to systems or departments have been re-structured. Thus, even though interviewees often claimed that they had been 'doing CSR for years', it was also simultaneously implied that internal changes were taking place as a result of the perceived need to integrate previously disparate organisational activities into one CSR or SD function.

However, these internal changes appear to reflect an increasing recognition that there is a business case for SER and CSR. In fact, the more integrated and developed an organisation's approach to CSR, the more CSR seems to be tied to business benefits. Therefore, rather than CSR representing an increased social and environmental consciousness on the part of business, it seems primarily to be treated instrumentally as a tool or part of a strategy that "adds value".

The socio-environmental drivers cited may be contrasted with the majority of motivations which were centred on business concerns. Socio-environmental drivers were characterised as such because they referred to motivations that were seemingly devoid of commercial concerns, but rather arising out of altruistic concerns for society or the environment. However, many of the socio-

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<sup>4</sup> Although the findings presented here seem to present SER motivations as somewhat more complex than suggested by Miles *et al* (2002). See chapter 12 for a discussion of the contributions of the study and what exactly this thesis adds to knowledge over and above Miles *et al* (2002).

environmental arguments presented were also tied up with a business case rationale. On reflection, any socio-environmental rationale that was articulated by the interviewees seemed to be more of a justification for SER and CSR rather than an actual motivating factor. Only one interviewee cited a socio-environmental rationale as the primary reason for his organisation's approach to CSR. Probing this interviewee further on the limits of the business case revealed, quite unproblematically, that a business case was the primary rationale for his organisation's SER and CSR. O'Dwyer (2003) found competing rationales for CSR in the Irish context similar to the distinction made here between business case and socio-environmental. Whereas O'Dwyer (2003) required further probing to draw out which rationale was the more dominant, the interviewees here were, in the main, clear that the business case was the primary rationale from the outset. Nevertheless, the fact that socio-environmental motivations were articulated by some interviewees at all, albeit unconvincingly as an appendage to seemingly dominant business case concerns, may itself be indicative of the business need to create the impression that its interests are congruent with wider socio-environmental concerns. In this respect, purported socio-environmental motivations may themselves be considered a sub-set of the business case.

The description of seemingly philanthropic activities such as charitable giving indicates this business case discernment. Charitable giving appears to be carefully calculated. The London Benchmarking Group (LBG) model was mentioned by many interviewees. The LBG encourages firms to join the '1 percent club' by giving more than 1% of pre-tax profits to charity.<sup>5</sup> Rather than being viewed as philanthropic donations, charitable giving seems to be treated increasingly by firms as "investments". Money is targeted specifically at groups with whom the organisation wishes to curry favour or who will provide some sort of service/benefit to the organisation in the long term (for example, investing in education improves the skills of the local workforce pool; or using employee volunteering as staff development programmes; increased reputation through charitable donations). In this sense, the investments could be viewed less as charitable donations and more as business strategies.

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<sup>5</sup> The way in which LBG may be succeeding in defining charity may be a matter worthy of future research. The LBG is managed by a commercial consultancy firm and its membership is made up entirely of corporate clients. The purported aims of the LBG are articulated almost entirely in terms of the reputational benefits that can accrue to its corporate clients. On LBG's website it is proudly noted that by including in-kind donations and staff volunteering in addition to cash donations, LBG managed to raise BT's charitable contribution from £15m to £27m. Clearly LBG are responding to a perceived corporate need to demonstrate responsibility: "The challenge facing the founding members of the LBG was how to effectively report their communication activities to demonstrate that they are indeed responsible corporate citizens" (LBG ten year review, from LBG website). Furthermore, LBG themselves state that they are trying to shift focus away from costs and onto benefits.

Even the one interviewee who argued strongly that their approach to CSR was driven primarily by socio-environmental reasons quite unproblematically admitted that everything his organisation did in the CSR arena needed to have a business case. Where there was no business case, something would not, or rather could not, be done. So even where the business case is stated not to be the main driver for CSR, it does set the boundaries to how far an organisation will go. The “right thing to do” in this case therefore appears to mean implementing CSR insofar as it will yield financial and strategic benefits to the organisation. This point was clearly highlighted by another interviewee when talking about the implementation of their office recycling scheme:

*“It was trying to say to people 'look if we do it right, there is a spin-off for the business'. The desire from people and staff was 'can we recycle better'. There are people within the business that want to do it, not for business reasons, but because people cared.”* (Environment Manager, Utilities)

In this case, people within the company wanted to recycle for personal, caring reasons. However, as the interviewee went on to describe, it could only be justified because, other than reducing the company’s environmental impact, it also saved the company money:

*“That was done for environmental reasons but to sell it, financial benefit to the company.”* (Environment Manager, Utilities)

Another interviewee would not go as far to say that everything they did had to be tied in to some strategic rationale or perceivable business benefit:

*“I am not quite sure I understand the question but let me answer what I think you are asking. The business of business is to make money, and we don't ever apologise for that. In fact, we stand up and say 'we are here to make money'. The moral side of this is you have to say 'not at all costs we will make money'. We are quite robust about this...we do recognise that we have stakeholders and not just shareholders. Then the whole argument that I have just outlined to you: do we have rules of the road, do we have policies, yes we do. Are they articulated, are they transparent, yes they are. Have we had ourselves evaluated against those, yes we have. So we are operating within, I think, leading boundaries in terms of what companies are doing. So therefore we feel we do have moral high ground.”* (CSR Manager, Oil and Gas)

In this case, it was not obvious where the limits lay. Going back to the discussion of motivations with this interviewee, he was quite clear that their primary motivation was risk management, followed by the ‘moral imperative’. Whether the former was perceived to dominate the latter, however, could not be ascertained with confidence from analysis of the discussion.

Nevertheless, the vast majority of interviewees were very black and white about there needing to be a business case for any particular CSR initiative. Although the interviewees varied regarding the level of sophistication with which they made a business case, that business case set the limits to

what they would or would not do. For example, those who outlined that time and manpower constraints set a limit to what they could do talked largely about the business case opportunities foregone as a result. The talk of other stakeholder groups limiting the socio-environmental capacity of business similarly was couched in references to business case opportunities foregone.

The talk of other groups in the discussion around limits also presented the image of corporations as followers rather than leaders to some extent. Although some interviewees described their organisations as ahead of the field, or waiting for customers or the regulator to catch up, a significant number of interviewees also suggested that business was only one part of the equation. Sustainability or CSR would require partnership across various sectors, both public and private. The onus should therefore also be on society to change its ways and “rethink” itself. Indeed, some interviewees also described their organisations as at the behest of their customers or the government. There was a general sentiment of there being a limit to what organisations could be expected to do in isolation. This expression is perhaps explicable in the context of business case imperatives, which seems largely to derive from the market. Although the interviewees variously cited other groups in society as placing constraints on what they could do to become more responsible, the more fundamental constraint on socially and ecologically responsible behaviour is arguably the business case itself.

The market requirement for a business case really equates with restricting organisations to things that are in their own self-interest: to win-win situations. As Bakan (2004) notes, the legal mandate for corporations to make as much money as possible for their shareholders sets a profound limit on how much good that corporations can do. In this sense, to ask corporations to deliver sustainability or be socially responsible goes against their very (institutionalised) character:

“Corporate Social Responsibility is an oxymoron...corporations have only one duty: to promote their own and their owners’ interests. They have no capacity, and their executives no authority, to act out of a genuine sense of responsibility to society, to avoid causing harm to people and the environment, or to work to advance the public good in ways that are unrelated to their own self-interest” (Bakan, 2004, p.109).

### **10.6 Limits to Reporting**

It is suggested in the above discussion on motivations that the wider public interest is generally considered by corporations only insofar as it serves to bolster the corporate self-interest.

Consequently, there is posited a conflict between pursuit of the corporate self-interest and the wider public interest. Ecological Footprinting is arguably in the public interest, as it would represent an

extension of corporate environmental accountability. In particular, the Ecological Footprint would show broadly how sustainable or unsustainable corporations were, at least in the environmental sense. The moral and pragmatic-sustainability imperatives for this type of reporting could be construed as quite strong. Given the increasing stress that is being placed upon the biosphere, such information may not be only morally desirable, but essential if society is to work out how to move to a sustainable state.

However, it would seem that this wider public interest is at odds with what is in the corporate self-interest. The vast majority of interviewees outlined how there was no business case for them to produce an Ecological Footprint and, consequently, that an Ecological Footprint would not be undertaken. However, for the two interviewees who did seriously consider the idea of an Ecological Footprint or something similar, their interest did seem to be driven largely out of business case concerns. In one case, an Ecological Footprint would show, it was argued, how nuclear is in certain respects a far less environmentally damaging way of generating power than conventional hydrocarbons. Thus, the Ecological Footprint could be used to bolster arguments for further investment in the nuclear industry.

In another case, an overall impact analysis (rather than an Ecological Footprint) was cited as being of use to work out the sustainability implications of different projects. This is linked to a business case rationale in two ways. Firstly, the interviewee described how such an analysis would allow for assessment of the long term environmental cost implications of different projects at the appraisal stage. Also, the analysis could be presented to the regulator who could then factor those considerations into future pricing structures for customers, thus developing a business case for more sustainable solutions.

However, these two aside, the interviewees described how there was not a strong enough business case to undertake an Ecological Footprint or similar such analysis. Even those interviewees that seemed warm to the idea of an Ecological Footprint in principle, such an analysis was eventually discounted on business case grounds. In particular, the cost and resource implications of developing organisational information systems to a level where the necessary information would be available were highlighted as a significant constraint on calculating an Ecological Footprint. Moreover, given that there was no obvious corresponding benefit to be derived from such a calculation, those costs and resource commitments could not be justified. One interviewee went as far as to say that

becoming of it can better be done through selective focus on eco-efficiency measures, disaggregated environmental data and cherry picking good social news.

### **10.7 Note on Current Theorisations of SER**

Applying the lenses of Legitimacy and Stakeholder theory to the above interpretation of the data implies that these theories can explain some, but not all of SER practice. SER and CSR appear to be driven in large part by responses to pressure from the financial markets<sup>6</sup>. The perceived need to demonstrate sound risk management to investors equates with an attempt to obtain or maintain legitimacy from economic stakeholders. However, this does not tell the whole story. The interconnectedness and overlapping nature of the motivations implies that the business case is complex and multifarious. For example, reputation risk management and business efficiency motivations do not wholly refer to satisfying financial market pressures, but are concerned also with issues that the organisation faces on a day-to-day basis such as obtaining planning permission and reducing energy costs. Although the latter are conducive to the former to some extent, it would be an oversimplification, on the basis of the data presented here, to reduce the entire raft of business case concerns to the need to demonstrate sound reputation risk management to the financial markets. Indeed, peer pressure is not wholly related to financial market factors. Individuals from companies that were not listed or were wholly owned by the DTI also articulated peer pressure as a motivation for their SER/CSR. However, market-related reasons do seem to predominate to a significant degree. The importance of stakeholder management, in its various guises, for SER and CSR suggests that Stakeholder Theory may also be able to offer an explanation of SER practice. However, that explanation would again only be partial as non stakeholder-related motivations seem to exist. For example, the importance of internal champions does not necessarily equate to a desire to manage stakeholder relationships and neither does the perceived need to manage impacts and costs.

A more thorough consideration of who the various stakeholders are and whose interests are being primarily satisfied by the SER and CSR functions would allow for a more in-depth consideration of Stakeholder and Legitimacy theory. However, the way in which the present study was structured precludes such an analysis. Moreover, the current specification of these theories seems inadequate in explaining all of the above data. Indeed, this thesis seeks to provide a more thorough explanation of SER practice than that offered by current Bourgeois theorisations. The situation appears to be

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<sup>6</sup> This is not to suggest that CSR and SER are driven purely by *coercive* pressures. Rather, the interviewees offer their *consent* to the existence of these pressures.

more complex than suggested by these theories. Rather than take a Stakeholder or Legitimacy lens, the thesis has identified the discourse of the business case as offering an explanation of SER. This is in line with previous work by Owen *et al* (2001) and O'Dwyer (2003) who respectively describe SER and CSR as being dominated by business concerns. What is revealed here is that within that business case there would seem to be much complexity and dynamism. The different configuration of motivations for each company implies that even where those motivations are reducible to more general themes such as financial markets pressure, there is a series of dynamic interconnections that combine to form a specific business case for each organisation. This is clearly of interest in terms of understanding why some organisations report and others do not although what may be of more interest is the dominance of the business case *per se*. This will be reflected upon in the following chapter by means of a Political Economy Theorisation of the data. By considering more explicitly the role of business in society and the importance of power and conflict therein, arguably such a theorisation offers a more cogent understanding of SER practice than that offered by Bourgeois theorisations.

### **10.8 Conflicts**

When asked whether they had encountered any conflicts between commercial and socio-environmental criteria, many interviewees initially remarked that they had not experienced conflicts or that there should not be any. On reflection, it appears that these interviewees were responding within the context of the previous discussion on motivations and the business cases that they articulated. Thus, the interviewees saw no conflict between commercial and socio-environmental criteria because everything that they did on the CSR front fitted within a business case. They were operating within a win-win paradigm. Any socio-environmental issue outside of a business case did not immediately enter the discourse of the interviewees. It generally required further probing from the researcher to encourage interviewees to consider potential conflicts, or to think outside of the business case.

With further probing on conflicts, some interviewees replied very matter-of-factly that the primary objective of their organisation was to make money. Thus it was made clear that socio-environmental issues were not their primary concern. Implicit within this seemed to be a recognition of conflicts between commercial objectives and socio-environmental wellbeing, although a few interviewees went on to dispute the extent to which there actually were conflicts. Apart from these exceptions, interviewees generally did not deny that their organisation's overall environmental impact might go up by growing their business. However, they also immediately

stressed that such a trade-off should not be looked at in isolation because the “bigger picture”, as one interviewee called it, told a different story. Although economic concerns dominate what their organisations do, the interviewees did not seem to view this business case imperative as undermining their ability to be responsible in any fundamental fashion. Rather, the dominance of financial concerns was qualified with arguments regarding the social and environmental desirability of their organisations’ activities.

For example, some interviewees outlined how an increased environmental impact would actually be worthwhile from a wider environmental responsibility point of view because their organisations were at the head of the pack in terms of their eco-efficiency. This implied, to paraphrase: ‘it is better that we do it than other, less eco-efficient organisations’. These were the more sophisticated eco-efficiency arguments. Others did not look beyond the organisational boundary, but simply stated that eco-efficiency, rather than overall reduced environmental impact, was all that they could strive for and it was a good thing that they pursue it.

Beyond these eco-efficiency justifications, many interviewees reframed the growth/impact conundrum and drew out perceived tensions between environmental and social factors. Having already rationalised environmental responsibility by outlining eco-efficiency arguments, the interviewees further contextualised their organisations by outlining the social benefits that derived from their activities. A number of interviewees outlined the jobs that their organisations provided; others talked about the infrastructure that they offered; others mentioned the energy or essential services that they offered.

In sum, the interviewees by and large accepted, albeit under prompting, the existence of certain conflicts that they faced between financial and socio-environmental criteria. However, these conflicts were contextualised in a way that reduced their importance as regards to undermining responsibility. Indeed, many interviewees believed that their organisation was successfully “finding a balance” between economic, social and environmental criteria. The notion that it would be better if their company did not exist or is unsustainable seemed, by and large, unthinkable. The organisation *is* going to continue and it *must* be sustainable.

This dissolution of conflicts seems to be logically related to the dominance of the business case. As the previous section discussed, business case dominance seems to raise real impediments for fuller accountability. It seems not to be in business’s interests to expose the conflicts inherent in its own

1. Reduce the importance of the cognition and follow behaviour: - i.e. carry on with the environmentally damaging behaviour and reduce the importance of the dissonant cognition. (The dissonant cognition may be considered less important than, say, keeping ones job)
2. Alter the way that a cognition is conceived: reconceptualise the problem so that behaviour is less inconsistent with cognition
3. Change behaviour so that it is no longer contradictory with cognition: - i.e. stop polluting

The interviewees showed clear evidence of strategies 1 and 2 in order to resolve the paradoxes that they were presented with. For example, the importance of the paradox was reduced by questioning whether it actually existed. Whether or not interviewees accept the paradox but deny it for the sake of keeping their job is certainly a possibility, but an entirely speculative supposition based on the data. Bakan (2004) suggests that individuals cannot bring their own morals to the workplace; they have to follow the logic of the corporation. As a result they “compartmentalise” (Bakan, 2004, p.55) their lives. Interviewees may therefore not necessarily believe what they say, although the fact that they do articulate socio-environmental justifications for their business activities itself may be enough. Strategy 2 was also employed by interviewees in that the paradox was recontextualised to include social ‘goods’ such as job provision or environmental ‘goods’ such as reduced environmental impact for an entire sector. Furthermore, the notion that a balance was being found between economic, social and environmental factors is also one way of reconceptualising the paradox as well as reducing its importance. There would therefore seem to be overlap between Rothenberg and Zyglidopoulos’s (2001) first two strategies. However, it is notable that there was an absence of any notion that the organisation had stopped reduced its environmental impact for any reason other than commercial gain. Strategy 3, or lose-win (where the commercial suffers even in the long-term) situations did not feature in any significant way in the discussions with interviewees. Although the reality of large-scale commercial activity may well be win-lose in many fundamental respects, there is a business case to resolve this paradox both in terms of internal beliefs and articulations of socio-environmental performance and external projections of socio-environmental performance. What this thesis suggests is that the two are related.

### **10.9 Conclusion**

Consideration of social and environmental considerations alongside traditional business pursuits with respect to corporate activity should import notions of conflict. These conflicts were not necessarily denied by the interviewees, but they were resolved basically by subjugating socio-environmental criteria to financial. The mind trick is in stating that there is some sort of acceptable

balance. Of course some balance is struck, but whether or not that balance is one we should be happy with is not supported by evidence in the form of fuller reporting. Indeed, one could argue that Ecological Footprints are resisted because they would bring conflicts to the fore and show that such a balance truly is unattainable for modern large-scale capitalist enterprises. Thus these organisations are not only incapable of delivering CSR or Sustainability, they are also incapable of admitting as such. Given the pressures to conform to a business case, perhaps little else can be expected:

*“The biggest juxtaposition that you face with this is that there is a growth expectation from the owners of the business, which in our case are basically pension funds and managed trusts. I think [pension fund X] own about 20% of our business. That is quite normal. If you look at any company AR you will see that the top shareholders are all pension funds, big managed funds like AXA and Barclays. Those pension funds require growth, so you can't go out with anti-growth strategies, what is the point. And as you say, as you grow your business from 1 to 2, so does your impact. But in actual fact, your impact doesn't grow from 1 to 2; it goes from 1 to 1.75. And when you grow from 1 to 3 it goes from 1 to 2.5 and you try and separate, drive one down and drive one up, that is really the gag. Other than that, you can only say 'you're right, our business has an impact, we need to stop', which is slightly defeatist, and not terribly sustainable.”*  
(Environment Manager, Extractive)

The above quote sums up well the business approach to CSR/Sustainability. Right from the outset, businesses are constrained in what they can do because of growth and profit imperatives. They must therefore work in the realms of efficiency, rather than overall impact. No doubt it takes some ingenious processes and a lot of hard work by the individuals involved to make sure that overall impact is 2.5 rather than 3. Those individual efforts may be commendable on one level, but arguably move us in the opposite direction of sustainability. It may help to remember that the 0.5 is only missing because it translates into a business advantage, in this instance a cost saving. Beyond where there is a business advantage, there are no environmental or social improvements to be had. Finally, this is hailed by the interviewee as something that is sustainable, because another company would not be as efficient as them as the impact would be closer to 3. In sum, the quote shows the limits to what corporations can do and how the individuals resolve the conflicts created by those limits by rationalising them into something that is, on the whole, a good thing for society and the environment.

The quote also indicates that the “pathological pursuit of profit” (Bakan, 2004), which brings with it the dual problems of inherent unsustainability and the inability to admit to this, clearly go beyond the corporations themselves and their legal mandate to pursue their own self-interest. They are related to the workings of the market system and the fact that these organisations are owned by

absentee owners who have only a financial stake in the workings of the company. The nature of this “hegemony” will be reflected upon in the following chapter from a theoretical point of view.

### **10.10 Summary**

This chapter has sought to summarise and discuss the empirical findings. In doing so, it draws some conclusions as well as serving as a precursor to the more explicitly theoretical interpretation appearing in the next chapter. The chapter started by considering patterns in motivations across industries and job position. Then the different motivations themselves were discussed in relation to each other. The different audiences for the report were described and then the seeming dominance of the business case was explored. Limits to reporting were summarised and interpreted. The applicability of Stakeholder and Legitimacy theories were also discussed. An explanation was offered for interviewee dissolutions of conflict and then some conclusions were offered.

## **Chapter 11**

### **Theoretical Interpretation of the Findings**

#### **11.1 Introduction**

This chapter outlines the theoretical interpretation of the data. The interviewee narrative was presented over chapters 7 to 9. Those chapters outlined substantively the business case for SER and CSR, and went into some detail delineating that business case. Chapter 10 reflected, to some extent, upon the seemingly interconnected and dynamic nature of the way in which different business cases manifest themselves across firms. However, what this thesis is more concerned with is not the multifarious nature of the business case so much as how the business case *per se*<sup>1</sup> seems to dominate both SER and CSR. Furthermore, what is also of concern is what such a business case dominance implies for the prospects of fuller accountability. In order to make sense of these issues a Neo-Gramscian theoretical framework is employed. This framework draws heavily on the work of David Levy, who has deployed a critical Neo-Gramscian Political Economy lens to understand corporate environmental strategies. The phrase *Neo-Gramscian* is adopted to imply that Gramsci's thought is not deployed here in a doctrinaire sense and that it also draws from scholars who have developed Gramsci's thought along particular lines (Laclau and Mouffe) or applied it to the modern business context (David Levy). In spite of this, the framework may still be considered very much Gramscian in that it is grounded in Gramsci's own notions of hegemony and the struggle for a more just social order.

In particular, this framework emphasises that CSR and SER should not be viewed in isolation from the wider political and economic structures of society within which they are deployed, and that corporate strategies are multifarious. CSR and SER are presented as, respectively, overlapping material and discursive strategies designed to accommodate and compromise on one level, yet to obscure and forestall examinations into the deeper structural contradictions that exist between business and society and the environment on another. These strategies are therefore implicated in the (re)production of wider hegemonic structures and social alliances. SER in particular is presented as a means of creating a hegemonic 'myth' that business interests are congruent with socio-environmental concerns.

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<sup>1</sup> Or at least the need to provide a business case explanation.

The chapter is organised as follows. The main tenets of Gramsci's theory of hegemony will be outlined. The work and theorising of David Levy will then be drawn upon in order to elucidate the relevance of Gramsci for understanding corporate approaches to the environment and society, Levy and Egan (2003) especially draw out the importance of corporate discursive strategies and how these are related to the wider formation of hegemony. The subsequent section introduces the work of the Neo-Gramscians, Laclau and Mouffe, whose discourse theory offers a more nuanced and in-depth look at the importance of discursive structures. This discourse theory is deployed within the overarching Political Economy framework as a means of understanding how and why discourses of mutual interests are formed. SER will then be introduced into the discussion, showing how this discursive strategy seems to have an ideological basis. Moreover, SER is presented as serving a hegemonic function. This can be understood by reference to interviewee articulations of the dominance of business case rationales for SER.

### **11.2 Gramsci's Theory of Hegemony**

Gramsci wrote on a wide range of subjects, often in a fragmentary fashion. However, there is an underlying coherence and unity to his thought (Salamini, 1981). Taken *in toto*, Gramsci may be considered a Historicist Marxist<sup>2</sup>. His most important contribution is arguably his theory of hegemony, how society comes to be structured around particular power formations. Whereas a Classical Marxist position emphasises the role of *coercion* in bringing stability to society, Gramsci emphasises also the crucial importance of *consent*:

“The supremacy of a social group manifests itself in two ways, as ‘domination’ and as ‘intellectual and moral leadership’...A social group can, and indeed must, already exercise ‘leadership’ before winning governmental power (this indeed is one of the principal conditions for the winning of such power); it subsequently becomes dominant when it exercises power, but even if it holds it firmly in its grasp, it must continue to ‘lead’ as well (Gramsci, in Sassoon, 1988, p.249).

Gramsci points toward the significant roles that culture and ideology play in producing and reproducing particular societal arrangements. These ‘superstructural’ elements are often neglected in much Marxist thought, where all superstructural elements are considered to deterministically derive from the underlying structure of society. In contrast, Gramsci views culture and ideology as

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<sup>2</sup> Gramsci is one of the few Marxist theorists to lament the degeneration of Marxist thought into western positivism. He resisted vociferously teleological and deterministic interpretations of Marx. Rather, he suggested that hegemonic structures were historically contingent (historicist). This takes us away from notions of historical inevitabilities and the (as Gramsci saw it) apathetic view that a socialist revolution would necessarily follow as a logical consequence of capitalism's development. In this respect, Gramsci was particularly prescient.

relatively autonomous from the economic realm. In doing so, he is careful not to efface the importance of the underlying structure. However, he recognised that Western societies were reproduced through the consent of civil society:

“In Russia the State was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed. The State was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks” (Gramsci, 1971, p.238).

Gramsci viewed the dynamism of civil society as the key to both the durability and transcendence of advanced capitalism (Burawoy, 2003). Gramsci was opposed to teleological interpretations of Marx (see, for example, Abercrombie *et al*, 1980; Bocoock, 1988) that view capitalism as inevitably undermining itself<sup>3</sup>. Burawoy (2003) outlines the three-fold theory of historical materialism as follows: Capitalism develops and needs fewer workers; class antagonism intensifies; the material conditions arise for the transition to socialism. These three were meant to coincide but they never did. Capitalism has shown itself to be extraordinarily resilient in re-inventing itself. Building on Lenin, Gramsci shows how the passage to socialism cannot be automatic but the result of a deliberate, collective effort of educating the masses culturally and intellectually. In this sense, Gramsci emphasises the subjective elements of Marxism rather than deferring almost entirely to (purportedly) objective laws. Gramsci argues for the necessity of an ideological revolution as a precursor to political revolution (Salamini, 1981).

In emphasising the role of civil society in maintaining power relations, yet also being the terrain on which new power relations can be formed, Gramsci ascribes a more significant role to culture and ideology. Indeed, Gramsci’s view of Marxism was arguably “not as a scientific doctrine but as an ideology that could capture the imagination of the subaltern classes and help forge a collective will” (Burawoy, p.203). Gramsci thus ascribes a greater and indeterminate role to the superstructure than a more economistic Marxist interpretation. Classical Marx very much views everything as determined by the economic base:

“In the social production of life, men enter into definite relations that are indispensable and independent of their will... The mode of production of material life conditions the social, political and intellectual life process in general” (Marx, in Willmott, 1993, p.9).

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<sup>3</sup> This is not to argue that capitalism does not create the conditions for its own demise, only that such a demise should not be viewed as a historical inevitability. Capitalism creates the *possibilities* for its own demise and these must be taken advantage of by subordinate groups. It is not, however, is dependent on those groups.

In contrast, Burawoy (2003) notes that Gramsci's take on the base/superstructure relation resonates more closely with the Karl Polanyi's Sociological Marxism: "never has there been such an absurd superstition as the belief that the history of man is governed by laws which are independent of his will and action" (Polanyi, in Burawoy, 2003, p.203). This is not to say that Gramsci effaces the importance of structural elements, on the contrary. He pointed out the importance of superstructural elements in providing consent for structural elements. However, he also emphasised that superstructural elements often followed their own laws of development independent of structural elements such as the economic base, and that the superstructure could be the site of autonomous battles that could ultimately impact on the underlying structure. Indeed, he has been called the "theoretician of the superstructures" (Salamini, 1981). The attraction of Gramsci is in finding viable ground "between the structural determination ideas of crude Marxism and the fluid, endless slippage of meaning explored in some versions of poststructural analysis" (Levy *et al*, 2003, p.101). Although many critical theorists downplay the role of the economic structure in their turn towards culture and ideology, Gramsci emphasises that social systems are shaped in interlocking realms of ideology, economics and politics (Levy *et al*, 2003).

### 11.2.1 Ideology

Gramsci (1971) notes that although ideology was once considered as the "science of ideas" (p.376), it has since come to refer to specific "systems of ideas" (ibid). It is the latter definition that is of concern here. In particular, Gramsci (1971) distinguishes between ideologies that are historically necessary and those which are arbitrary or willed. In the case of the former, ideologies are the necessary organic superstructures for the underlying structure. Historically necessary or organic ideologies have the psychological effect of being able to organise human masses and shape social relations. Arbitrary ideologies only create individual movements and polemics and are not grounded in material forces.

Hegemonic formations, or social arrangements, were referred to by Gramsci as Historical Blocs. Material forces provide the content of historical blocs whereas (organic) ideologies provide the form. It is Gramsci's suggestion that the two presuppose one another, and that ideologies are not the mere logical consequences of underlying material factors. Rather, there is dialectic between the base and the superstructure.

### **11.3 A Neo-Gramscian Political Economy Framework**

Levy and Newell (2002) note that there are two meanings of Gramsci's historic bloc: firstly, it refers to the alliance of social groupings that make up the hegemonic formation; secondly, it refers to the specific alignment of material, organisational and discursive formations which stabilise and reproduce relations of production and meaning. Both of these conceptions of the historic bloc presuppose one another. Levy (1997) and Levy and Egan (2003) argue that corporate strategies similarly co-ordinate material, organisational and discursive resources as a means of stabilising providing the meaning and stability that is necessary for particular alliances of social groupings. Although this thesis is focused empirically at the level of the firm, the political economy perspective developed here relates firm-level struggles and strategies to wider structures of domination. Individual corporate strategies, it is argued, are constitutive of broader hegemonic structures, as well as a product of them. Historic blocs are shaped by micro-processes of bottom-up bargaining and constrained by macro-structures of production relations and ideological formations (Levy and Newell, 2002).

The way in which corporations deal with the 'issue' of the environment is often called Environmental Management, both in practice and in the academic literature. Levy (1997) describes Environmental Management as existing on two levels. On the material level, it is a set of practices that ameliorates the more egregious environmental impacts arising from industrial activity (insofar as it is cost-effective to do so). On the ideological level, Environmental Management constructs products and companies as 'green' and legitimises corporate behaviour.<sup>4</sup> A parallel will be drawn between Levy's (1997) analysis of Environmental Management on the one hand, and the exposition of CSR and SER in this thesis on the other. In line with the interviewee conflation of CSR and SER in many cases, these two can be viewed as distinct, yet overlapping strategies. On the material level, CSR may be considered as a set of environmentally and socially minded technical practices. On the ideological level, CSR portrays companies as socially and environmentally responsible. SER may be considered as a discursive strategy that bolsters the ideological function of CSR by constructing a particular image of corporate activity in a socio-environmental context.

The business case dominance for SER and CSR is understood here in the context of business's position in society. Rather than being concerned with enhancing the accountability or responsibility of business in any meaningful sense, SER and CSR seem to be limited to win-win situations and the

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<sup>4</sup> To this it can be added that Environmental Management also assumes implicitly that the environment is merely an issue to be managed, and that corporations are the ones who should do the managing.

management of social pressures. As such, the two can be viewed as overlapping elements of an overall strategy aimed at mediating and transforming social conflict in order to stabilise the historic bloc and maintain the hegemonic positions of business and markets. The main concern of the thesis is the role that SER plays in conflict mediation, and this will be considered at length in the following section. However, it should be borne in mind that SER is only one element of a multi-pronged strategy<sup>5</sup> across multiple bases and social arenas.

### *11.3.1 SER as a Discursive Strategy*

The overlapping nature of material, organisational and discursive strategies was outlined by Levy and Egan (2003). In particular, Levy and Egan's (2003) study shows how discursive structures have material consequences and that discourse plays an important part in hegemony. As Levy and Egan (2003) note:

“Large firms are generally unable to dominate a field purely by virtue of brute economic power or governmental connections; rather, control over a field rests on consent from a broader group of actors. Field stabilisation, or hegemony, depends on an alignment of forces capable of reproducing the field” (p. 810)

Indeed, in Levy (1997) he talks about a hegemonic coalition of business, government, professional and intellectual elites rather than simply a hegemonic group. In aligning these forces it is essential to have some discursive or ideological basis around which to rally. As outlined in chapter 6, the discourse of eco-modernism was employed by business during the crisis of hegemony brought on by the climate change negotiations of the 1990s. In adhering to the discourse, business was forced to make second order concessions (admitting climate change and accepting some degree of emissions reductions) but only as a means of maintaining hegemonic status for markets and industry. In making second order concessions, such strategies deflect more radical challenges to the hegemonic coalition: “the win-win paradigm is a key discursive foundation for the emerging climate compromise and a more stable historical bloc” (Levy and Egan, 2003, p.821).

Prasad and Elmes (2005) similarly analyse the ideological nature of Environmental Management discourse. They suggest that Environmental Management is dominated by notions of what is “practical” and solutions that are “workable”. In doing so, it distances itself from so-called ideological discourses such as Deep Green Ecology and Anti-Environmental Corporatism and essentially eschews any intellectual debate. Prasad and Elmes (2005) suggest that this focus on the

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<sup>5</sup> Although the extent to which that strategy is coherent, purposive, deliberate and self conscious is a more difficult question.

appealing notion of pragmatism shields Environmental Management from critique and excludes other, less pragmatic alternatives. Moreover, it sets up a series of seemingly natural dichotomies between the pragmatic and the idealistic; the scientific and the political; and the rational and the emotional. The hegemonic function is in representing the pragmatic, scientific and rational as self-evidently desirable, thereby enacting “discursive closure” (Prasad and Elmes, 2005, p.853). In doing so, it promotes a narrow form of economic utilitarianism that displaces the more urgent question of how to conserve the earth in favour of what is in the economic interests of the company to do. In looking at the practical consequences of the discourse, Prasad and Elmes (2005) note that it is far from pragmatic in human or ecological terms. Rather, pragmatism essentially equates to the favouring of strategies within existing systems and that favour current institutional arrangements. This notion of pragmatism is one of the many ideological notions that are communicated through business discourse.

### 11.3.2 Laclau and Mouffe’s Discourse Theory

Laclau and Mouffe’s discourse theory is employed within this Political Economy framework in order to better make sense of the discursive strategies played out by business and the importance of these strategies in (re)producing the power structures of the historic bloc. According to Laclau and Mouffe, the social is characterised by an infinite play of differences that implies the impossibility of fixing meaning. Thus, there is a constant toing and froing. However, this is not to deny that there cannot be relative fixity. Indeed, that is what hegemony entails, an attempt to fix meaning that can never be absolutely or ultimately successful, only relatively. In other words, society is ambiguous and incomplete, or “dislocated” as Laclau (1990) describes it, being constructed in new ways and (relatively) establishing itself through the unstable tension between antagonistic forces.

Moreover, antagonistic forces cannot be reduced to labour vs. capital. Rather, a plurality of different groups with no necessary class belonging compete for hegemony. All individuals, or subjects, are “overdetermined” (Laclau, ref), meaning that they have a plurality of identities at their disposal. “Any social subject is essentially decentred, his/her identity is nothing but the unstable articulation of constantly changing positionalities” (Laclau, 1990, p.92).<sup>6</sup> Thus, subject identities are multiple

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<sup>6</sup> This overdetermination elucidates the inapplicability of the notion of false consciousness. Laclau (1990) argues that the kaleidoscopic movement of differences that is characteristic of unstable identity formation makes it impossible for individuals to *mis*recognise themselves (see also below). This is not to deny that some groups in society are manipulated ideologically by other groups. Rather, it suggests that consciousness is dependent upon ideology. As Mouffe notes, “ideology is the terrain upon which men attain their consciousness”. Without ideology, there is no possibility for sense making.

and contingent. In criticising modern financial reporting theory, Mouck (1995) notes that this overdetermination view of identity “undermines the economist’s crucial assumption that wants and preferences are pre-given, or even stable” (p.541). Thus, *homo economicus* is only one possible identity that social agents may assume. Similarly, class identity cannot be considered pre-determined or stable either. This is not to deny that fundamental conflicts do exist between capital and labour. Rather, capital vs. labour is viewed as one of many antagonistic relationships that exist between capital and *inter alia* the environment, communities, society in general and future generations.

Society as a dislocated structure does not have one power centre but many. Power is unevenly balanced in society. None of these power centres are totalising but the power wielded by capital is considered disproportionate to other groups.<sup>7</sup> There are various nodal points (see below) of articulation that are created by antagonistic forces. This implies that society cannot fully constitute subjects because it is not fully constituted itself: a ‘radical outside’ dislocates it. Nevertheless, antagonistic forces strive to fully constitute society in their own form. Laclau (1990) notes that this paradox dominates the whole of social action: “society does not achieve constitution as a structural objective order; but any social action tends towards the constitution of that impossible object” (p.44).

This constant striving for hegemony from antagonistic forces can give rise to ruptures that expose the contingent nature of a (relatively fixed) historic bloc. Any awareness of contingency further dislocates the structure, opening up possibilities for social change. For example, the possibility of a radical democracy depends on the level and extent of structural dislocations in advanced capitalism, of which there are many<sup>8</sup>. Following Lash and Urry, Laclau (1990) contends that we live in ‘disorganised capitalism’ where all power is contingent and has conditions of existence. The construction of a popular power entails taking advantage of the dislocations of disorganised capitalism to create new forms of social control. This can only be done through antagonistic forces

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<sup>7</sup> Gramsci may be considered a Historicist Marxist (Salamini, 1981). Although he rejects economic interpretations of Marx, he does recognise the power of the economic base in determining superstructural elements such as ideology. However, he views this determinism as contingent on a number of historical factors, none of which are insurmountable or that would preclude the possibility of ideological revolution. There is much complexity and contradiction in Gramsci’s thought in this regard. Laclau and Mouffe develop Gramsci’s thought along its logical lines of development, removing any economic remnants and arriving at the conclusion that the economic base is not a determining factor. Arguably they go too far with this, and in order to not obscure the oppressive and dominating tendencies of the economic base, a more influential role to the power of capital is presumed here.

<sup>8</sup> E.g. commodification, bureaucratisation and the increasing scientific and technological planning over the division of labour. Laclau (1990) suggests that these processes create antagonisms between labour and capital but that they should not necessarily be resisted. Rather, Laclau (1990) argues, people can work within these processes in order to develop the prospects that they create for a non-capitalist alternative.

further dislocating the structure by *exposing* its contingency. In turn, this opens up the possibility of ‘articulating’ a new order. This articulation is undertaken through language by different groups, each of which strives for hegemony, or a privileged place in the hegemonic coalition. A hegemonic group is one that can successfully articulate the interests of other social groups to its own by means of ideological struggle (Mouffe, 1979).

Reflecting a Post-Structuralist ‘linguistic turn’, Laclau and Mouffe view language as constitutive of the social. The social itself is characterised by a ‘war of position’ between different discourses, each striving for hegemony. Discourse creates meaning, which in turn binds the social in relatively fixed ways. For Laclau and Mouffe, there is no distinction between discursive and non-discursive material elements because language games have material consequences:

“discourses, by representing reality in one particular way rather than in other possible ways, constitute subjects and objects in particular ways, create boundaries between the true and the false, and make certain types of action relevant and others unthinkable” (Phillips and Jorgensen, 2002, p.145, paraphrasing Laclau and Mouffe)

This constitutive view of language implies that non-discursive material elements such as the economy and the state may also be considered parts of discourses, or discourses themselves. Furthermore, ideology is considered inescapable by Laclau and Mouffe. We cannot de-ideologise discourses and arrive at truth (Laclau, 1996). Rather, ideology is the terrain on which men acquire their consciousness (Mouffe, 1979). This is akin to Foucault’s conflation of discourse and ideology (see Clegg, 1989) and is at odds with a false consciousness view of ideology. In the absence of an extra-ideological viewpoint, the very notion of false representation loses all meaning. However, Laclau (1996) argues that we can retain the notion of distortion. Distortion exists in the very notion of extra-discursive (extra-ideological) disclosure where an “extra-discursive viewpoint is the ideological illusion *par excellence*” (Laclau, 1996, p.203). A distortion is a primary meaning presented under a false light. The primary meaning is itself illusory but it is projected distortively in the form of fullness. The distortive operation consists in presenting the illusion as non-illusory. It is an act of concealment (concealment of incompleteness). The description or articulation of any phenomena can take many forms, and some of these forms may be contradictory. For a discourse to be intelligible, it must filter out that which contradicts or over-complicates it. This filtering process is tantamount to an attempt to reduce the possibilities for description:

“the operation of closure is impossible but at the same time necessary; impossible because of the constitutive dislocation which lies at the heart of any structural arrangement, necessary, because without that fictitious fixing of meaning there would be no meaning at all” (Laclau, 1996, p.205)

This dialectic between necessity and impossibility gives any discourse its terrain of emergence. Indeed, the role of discourse is often to simplify the social by making it opaque. Hegemony requires that the infinite play of meaning be reduced (Laclau, 1990). This is done through the assemblage of “floating signifiers” and the construction and dissemination of “myths” (Laclau, 1990).

### 11.3.2.1 Hegemonic Myths

Hegemony is achieved by the group that has the power, ability and tactical shrewdness to construct a popular ideological discourse. This involves synthesising competing interests in a way that portrays the interests of various competing groups as commensurate with the interests of the articulating group (see, in particular, Mouffe, 1979). The result is a myth (Laclau, 1990) or an organic ideology (Mouffe, 1979). Myths are different from discourses because they have become so entrenched that they appear natural when, in fact, any discourse is always contingent and contestable. A myth is a relatively unquestioned nodal point around which other discourses are organised. In other words, they become facts of life.

Any discourse is established by relating signs to other signs. One element of this is to accumulate ‘floating signifiers’. These are discursive symbols whose meaning is relatively unfixed. Democracy, for example, is an ambiguous floating signifier because it is interpreted in different ways by different people. Laclau (1990) argues that social movements aimed at constituting order are fighting a trench war in which each movement strives to articulate a greater number of social signifiers around themselves. Bebbington and Thomson (1996), Bebbington (2001) and Gray and Bebbington (2000) imply that the signifier ‘sustainability’ is being articulated by business in a fashion that dilutes its radical potential.<sup>9</sup> Responsibility appears to be another one (see O’Dwyer, 2003). Total fixity, or hegemonisation, of the content of a signifier is impossible however because of the contingent nature of things. Nevertheless, although hegemony can never be complete, floating signifiers can be partially fixed around a nodal point (Laclau, 1990, p.29).

Organising a discourse in this way is really a reduction of possibilities (Phillips and Jorgensen, 2002). Any discourse exists, and can be made intelligible, in relation to what it excludes. Moreover,

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<sup>9</sup> Sustainability provides a good example of how different signifiers are imbued with different meanings. The meaning of sustainability, in the sense of whether it means the reproduction of the planet in a fashion that can support its inhabitants, is not *so* problematic. The Brundtland definition of Sustainable Development, for example, is endorsed by groups right across the political spectrum. More differences arise when one considers *how* to get to a sustainable state and (say) what kind of actions and forms of organisation that would entail. This requires choosing between alternatives and, again, filtering out what does not cohere with the fundamental aims of the discourse, which may or may not actually include sustainability of the planet.

any discourse is always in danger of being undermined by its 'outside'. As far as discourses succeed in establishing relative fixity of meaning (and this is what they always strive to do), they can be thought of as *myths* (Laclau, 1990). The myth is a distortion of reality<sup>10</sup>, but a necessary one as it establishes a horizon for our acts. Myths are different from discourses because they have become so entrenched that they appear natural when, in fact, any discourse is always contingent and contestable. A myth is a relatively unquestioned nodal point around which other discourses are organised. In other words, they become facts of life.

Hegemony is the very function of myth (Laclau, 1990). Eco-modernism may be considered a myth because other discourses such as discourses of regulation and emissions controls were made sense of in relation to it (Levy and Egan, 2003). Similarly, Levy (1997) shows how the ideological assumptions underpinning environmental management privilege the role of corporations in dealing with environmental problems. Myths succeed in becoming nodal points by constituting unambiguity. Eco-modernism, with its central tenet of a win-win reality does exactly this. It dissolves conflicts between economic and socio-environmental factors. However, such "discursive frameworks that actively constitute perceptions of mutual interests" (Levy and Egan, 2003, p.806) serve the paradoxical function of actually ensuring that the interests of one or more hegemonic group are given primacy. The myth of eco-modernism obscures a conflict-ridden reality with the impression of harmony. In turn, this myth acts as the ideological basis for corporate autonomy and the primacy of markets.

Dislocation gives rise to the possibility of the creation of new myths. Levy and Egan's (2003) analysis of the emergence of eco-modernism shows how this myth was created in response to a series of dislocations in the current social order (historic bloc). The fossil fuel industry in particular was facing a legitimacy crisis with widespread perceptions of their complicity in global warming. This opened up the possibility of stringent emissions controls which would have undermined the economic power of business and, consequently, its hegemonic position. When it realised that some sort of change on its part was necessary, industry responded by filling the dislocated space with the myth of eco-modernism. This myth succeeded in establishing a horizon by which to make emissions controls intelligible.

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<sup>10</sup> This does not imply that we can ever reach an absolute, untainted reality. However, neither does it deny that such a reality might exist.

### *11.3.3 SER and myth*

As outlined in chapter 3, the quality and partiality of SER practice is such that analysis of SERs precludes the possibility of substantively understanding an organisation's social and environmental performance (see, for example, Adams, 2004; Gray and Milne, 2002, 2004; Thomson and Bebbington, 2005)<sup>11</sup>. However, this incompleteness does not preclude attempts by organisations to construct an image of social and environmental responsibility. SER, as currently practiced in the mainstream, is mythical in that it obscures a conflict-ridden reality<sup>12</sup> with the impression of relative harmony. As such, the myth that is constructed through SER acts as a justification for corporate autonomy. This is not to say that business ignores bad news completely. There is still negative information found in corporate reports on emissions, customer complaints and employee accidents, to name but a few. However, these are arguably integrated as a distraction from more fundamentally antagonistic conflicts such as (say) the reduction in natural capital or extraction of wealth from indigenous populations over the reporting period. By ignoring fundamental social issues such as wealth inequality (Gray and Milne, 2002, 2004), resisting overall ecological impact analysis (Gray, 2000 and Gray and Milne, 2002, 2004) and cherry picking good news generally (Adams, 2004 and Gray, 2000), SER presents organisations as socially responsible or even sustainable (Milne, 2005). Nevertheless, these highly partial representations are presented as an objective depiction of reality (Thomson and Bebbington, 2005). Generally, SERs may be construed as contestable images that construct the notion that the future of the planet and its inhabitants is safe in the hands of business.

Rather than reflect a "multiple and subjective understanding" (Thomson and Bebbington, 2005, p.520) of an organisation's performance, SER represents a very one-sided version of events. By carefully excluding certain information, and carefully controlling the conflicting information that does appear, the possibilities for SER are reduced in order to 'fix' the myth that business and socio-environmental concerns are congruent. SER performs an act of "discursive closure" (Prasad and Elmes, 2005, p.853) that precludes other ways of viewing organisational performance. Therefore, SER is not itself a myth, but acts as a vessel through which the myth of congruence is communicated. This myth may be seen as a response to the socio-environmental dislocations that are caused by capitalism and which manifest themselves in the form of social pressures. SER is

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<sup>11</sup> This is not to suggest that a complete picture of socio-environmental performance could ever be achieved. As social accountants, we always strive towards this goal, but it will always remain elusive. Not necessarily because Gray's (2000) ideal reporting template will never be realised in practice (although that, of course, is another question), but because following that template would itself present a mythical representation of reality. The reality that the template would depict would be mythical because it would have filtered out many things from the realm of possible descriptions of socio-environmental performance.

<sup>12</sup> This is the researcher's own mythical stance on what reality is.

viewed here in the context of the ideological warfare that is characteristic of the social and which has material consequences for the structure of historic blocs.

#### **11.4 The Ideological Basis of SER**

As was inferred from the interviews, the business case dominates CSR. However, through SER it is arguably shown not to be dominant but, rather, to be congruent with socio-environmental concerns. The dominance of the business case demands that the business case be presented as non-dominant. The complexity of this discursive trick is arguably overlooked in both Bourgeois and Classical Political Economy interpretations of SER, suggesting unproblematic instrumentality on the part of organisations. However, on the basis of the discussions with the interviewees around conflicts, it may be inferred that rather than consciously obscuring conflicts, interviewees believe that they are actually representing reality. That is, SER is more than a mere cynical public relations exercise but actually has an ideological basis. The interviewees seem to have internalised the myth that they themselves construct and perpetuate (see also Levy, 2005).

Notwithstanding the recognition of some conflicts, the interviewees, on the whole, impute the socio-environmental worthiness of their organisations. With perhaps one exception, interviewees did not deny that their organisation's overall environmental impact might go up by growing their business. When probed, the interviewees generally admitted to there being some sort of conflict between their commercial objectives and environmental criteria. However, they also immediately stressed that such an increase should not be looked at in isolation because the "bigger picture", as one interviewee called it, told a different story. Although economic concerns dominate what their organisations do, the interviewees did not seem to view this business case imperative as undermining their ability to be responsible in any fundamental fashion. Rather, the dominance of financial concerns was qualified with arguments regarding the social and environmental desirability of their organisations' activities. The conflicts that organisations face were rationalised by the interviewees in a way that gave rise to the impression of an 'overall-win' situation slightly more complex than, but seemingly from the same school of thought as, the 'win-win' of eco-modernism.

For example, some interviewees outlined how an increased environmental impact would actually be worthwhile from a wider environmental responsibility point of view because their organisations were at the head of the pack in terms of their eco-efficiency. This implied, to paraphrase: 'it is better

that we do it than other, less eco-efficient organisations'. These were the more sophisticated eco-efficiency arguments. Others did not look beyond the organisational boundary, but simply stated that eco-efficiency, rather than overall reduced environmental impact, was all that they could strive for and it was a good thing that they pursue it.

Beyond these eco-efficiency justifications, many interviewees reframed the growth/impact conundrum and drew out perceived tensions between environmental and social factors. Having already rationalised environmental responsibility by outlining eco-efficiency arguments, the interviewees further contextualised their organisations by outlining the social benefits that derived from their activities. A number of interviewees outlined the jobs that their organisations provided; others talked about the infrastructure that they offered; others mentioned the energy or essential services that they offered.

In sum, the interviewees by and large were aware of certain conflicts that they faced between financial and socio-environmental criteria. However, these conflicts were contextualised in a way that reduced their importance as regards to undermining responsibility. Indeed, many interviewees believed that their organisation was successfully "finding a balance" between economic, social and environmental criteria. The notion that it would be better if their company did not exist or is unsustainable seemed, by and large, unthinkable. The organisation *is* going to continue and it *is* sustainable.

The interviewees articulated congruence between the business case and socio-environmental concerns. Business is good for society and the environment. Any dissonance between business and socio-environmental concerns would only become apparent by thinking outside of the win-win paradigm of the business case; something that the interviewees did not appear to countenance. Thus, any potential dissonance between business case dominance (articulated by the interviewees) and the projection of the image that the business case does not dominate (through SER), is resolved.

### **11.5 Hegemonic Nature of SER**

It has thus far been argued that the myth that business is socially and environmentally responsible has an ideological basis. This is communicated through incomplete SER that gives the impression of completeness. That is, the notion that business is socially and environmentally responsible is illusory. For example, the interviewees draw selectively on the positive provision of jobs and the

increasing eco-efficiency of their activities whilst giving little or no consideration to wider issues of, for example, increased consumption in society generally, corporate lobbying or of issues pertaining to the transfer of wealth between different social groups. The interviewee articulations perform an act of “discursive closure” (Prasad and Elmes, 2005, p.853) where “left unchallenged are the cultural and ideological foundations of the economic system, which include competitive individualism, the idealisation of affluence and consumption, the dominance of a utilitarian technical rationality over aesthetic or ethical values, and confidence in scientific progress and economic growth” (Levy, 1997, p.142).

The interviewee articulations of responsible business are therefore highly contingent simplifications of reality. However, through SER these partial representations are arguably represented in the form of completeness. That is, by reference to credible reporting guidelines and rigorous stakeholder engagement processes these illusory representations are presented as non-illusory. This is what gives the discursive representation hegemonic power. Not only is congruence articulated, but it is also articulated in a way that suggests an objective reality (Thomson and Bebbington, 2005). It is this “act of closure”, or the *form* in which it is represented that gives the articulation of congruence its hegemonic power. SER represents a discursive space that is highly controlled by business so as to be non-dialogical. Although not succeeding in convincing all stakeholder groups of the myth, SER may be successful in obtaining the consent for its activities from enough actors so as to maintain the privileged status for markets and corporate autonomy.

Similar to Levy’s (1997) description of EM, SER may be seen as one strategy in an overarching process of accommodation and compromise where co-operative relationships are developed between business and government agencies, the scientific community and mainstream NGOs. Combined with organisational and material strategies, SER is a discursive strategy that aims to ideologically align the interests of various groups in line with the interests of business. Insofar as this is successful, SER will have the ideological consequence of organising political and civil society around business’s aims, and have the concomitant material consequences of smooth passage for further continuance and expansion of the capitalist enterprise and all of the social and environmental consequences that come with it.

Levy and Newell (2005) note that corporate approaches to Environmental Management (EM) should not be viewed simply as a set of technical practices or ‘greenwash’. “Rather, they represent an integrated political and market response to environmental challenges, in a way that serves to

accommodate social and regulatory pressures” (Levy and Newell, 2005, p.5). In maintaining the parallel between EM and CSR/SER, the latter may be viewed as an integrated attempt to accommodate political and civil society whilst maintaining primacy for business’s fundamental aims. Given that CSR and SER are driven overwhelmingly by the business case, the accommodations offered by business in these regards are of a secondary nature. In this respect, CSR and SER have essentially been captured by business. As far as SER goes, rather than rendering transparent the conflicts inherent in corporate activities, it primarily obfuscates these. This obfuscation is undertaken in a relatively sophisticated fashion, namely by projecting a myth in the form of a transparent disclosure. Whereas the ideal for SER is to discharge accountability and open up the possibility for a democratic reconsideration of current forms of organisation, SER disseminates a myth that undermines the ideological basis for any such reconsideration.

#### 11.5.1 Myth Construction and Dissemination

In principle, the myth serves a hegemonic function by ideologically aligning disparate interests. However, the extent to which SER plays a successful role in this regard depends upon the impact of SER on its audiences, and the impact that SER has on establishing an ideological basis for corporate activity generally. Although many interviewees downplayed the importance of the actual report, they were very clear that the *process* of producing the report was of fundamental importance. As a communication medium SER *may* have relatively little impact on stakeholders other than investors. The relative lack of feedback from stakeholders is indicative of this. However, it may be important for corporations themselves in rationalising the socio-environmental context within which corporations operate. Indeed, Levy and Egan (2003) showed how the deployment of eco-modernism discourse during the climate change negotiations of the 1990s was in order to establish an ideological consensus among business itself. Such a consensus is necessary in order to stabilise the historical bloc (Levy and Egan, 2003).

Various stakeholder groups may be targeted by organisations, but there was little indication from the interviews that those stakeholders actually read or engage with the reports. This begs the question as to why organisations persist with communicating their SER to an audience without knowing whether or not they are interested. It was not obvious from the interviews why stakeholders other than investors and employees were targeted. One possible explanation for is offered by Christensen and Cheney’s work. Christensen (1997) suggests that external organisational communications are actually not primarily oriented towards sending and receiving messages but towards the production and celebration of “meta-texts” (following Lotman, 1991). External

audiences are sought, not as recipients of a message so much as a means of convincing the organisation itself that its identity is based on something real “out there” (Christensen, 1997). As Christensen and Cheney (2000) note, the external world is a reference point rather than a receiver; a mirror rather than an audience. Organisations handle external information in a way that supports internal concerns rather than questions them. “Since, as a consequence, the resulting message...is a direct reflection of the organisation’s own world of significations, the organisation is, in a certain sense, talking to itself” (Christensen, 1997, p.215).

Indeed, Christensen (1997) suggests that the gathering of the data is itself a symbolic act that may be enough to convince the market that external needs are taken into consideration. Christensen and Cheney (2000) similarly suggest that the canvassing of organisational stakeholders is heavily biased by the organisation’s perception of what the relevant stakeholder issues are. In other words, stakeholder engagement may only provide the information that organisations are looking for:

“most corporate images exist in a simulated universe relatively independent of the concerns and interests of people in their day-to-day lives...to the extent that the world is willing to ‘play the game’ and perhaps even appropriate the identity language of contemporary organisations, their (stakeholders’) indifference or ignorance may never dawn on those organisations” (Christensen and Cheney, 2000, p.265).

Thus, although organisations often claim to listen and adapt to stakeholders, they simultaneously do all that they can to control the communication agenda. However, “very few organisations acknowledge this contradiction in their practices” (Cheney et al, 2004, p.94).

Christensen (1997) describes this self-referentiality as “auto-communication”. He argues that it is essential to any culture. “Although basically self-centred, auto-communication does not close the culture completely off from the environment. The power and persistence of any cultural identity lies in...its ability to project itself and find accreditation in its surroundings” (Christensen, 1997, p.199). Christensen (1997) suggests that organisations *need* to continually remind themselves of what they are and what they could be. Christensen (1997) argues that although the Annual Report may have originally been intended as a message to external audiences, the introduction of “codes” related to the sender’s own perception of the world bends the process towards an internal message at a more abstract level. The end result is a self-enhancing and self-confirming image.

Auto-communication suggests that SER is a way for the organisation to communicate with itself and disseminate the myth. This may explain why employees are generally considered, with the exception of investors, as the most central audience. Just as advertising is often

directed at employees with the implicit intention of reminding employees of their responsibilities (Christensen, 1997), SER may be a sophisticated means of exhorting employees to exploit win-win opportunities. Beyond this exhortation to work, SER may also provide a more subtle ideological-consensual function. SER managers, as the organic intellectuals of capital<sup>13</sup>, construct the myth of congruence to serve the strategic and hegemonic end of obtaining consent for their organisation's activities, and corporate activity generally. Insofar as the myth is successfully disseminated to the workforce, consent will also be obtained from employees. Shamir (2004) notes that CSR functions as part of the corporation's "normative control apparatus" (p.683) over its employees, resulting in increased employee satisfaction and loyalty. Indeed, many of the interviewees described employee involvement in CSR activities and the resulting effects on employee morale and generating a "feel-good factor" among staff. These ultimate "business benefits", combined with dissemination of the myth through SER, may be successful in ideologically harnessing employees to corporate objectives:

"By focusing on employee participation in CSR projects, by enlisting them to contribute time, money and knowledge, and by sharing with them the company's reputation as socially responsible, the normative control is deployed by transforming employees into a 'community' and by turning labour relations into a question of employees' satisfaction and loyalty. Corporate executives specialising in CSR, therefore, simultaneously function as agents in the CSR field and as agents of the normative control apparatus" (Shamir, 2004, pp.683-4).

This is not to suggest that the creation of an internal consensus is the only function served by SER. Clearly it serves to manage corporate reputation among financial market institutions. SER proves to investors that the organisation's social and environmental initiatives are tied into business benefits and ultimately designed to enhance shareholder value. The ideological function that SER serves in that regard is probably minimal, given that investors by virtue of their very position have already offered their consent to corporate activity. Investors want to see that their money is not being squandered and that new areas of social and environmental activity are being subsumed within the profit motive. It is the effect that SER has on other groups that is perhaps of greater interest.

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<sup>13</sup> Organic intellectual is a Gramscian term that refers to the crucial role that intellectuals play in advancing the interests of different hegemonic formations, both actual and potential. Essentially, organic intellectuals are those that are grounded in effective reality, rather than being abstracted from reality as traditional intellectuals. The difference is crucial as the latter serve only to protect and advance their own interests, whereas the organic intellectual performs the much wider social function of articulating arguments for or against particular hegemonic formations. In this case, the SER managers are seen as serving the function of legitimising corporate activity by aligning corporate interests with wider socio-environmental interests. Thus, they serve capital.

SER and CSR are discursive and material elements of an integrated strategy to accommodate social pressures. Interviewees mentioned a number of different groups as target audiences for their SER including NGOs, Political actors, Customers, Suppliers etc. The extent to which these groups are influenced by the myth or even engage with reporting at all was not clear from the interviews and indeed did not seem to be known by the interviewees. However, the interviewees did articulate that they were *trying* to influence (or more often “improve the understanding” of) the various groups that they were targeting. Corporations are unlikely to be successful in convincing the more antagonistic groups such as environmental NGOs, but the business case rhetoric may well succeed in obtaining a base of support sufficiently broad to stabilise the historic bloc. Indeed, Shamir (2004) describes how it is not business alone but a coalition of various business groups, market-oriented NGOs, academic experts and commercial consultants that have succeeded in transforming social responsibility into a “commodity that conceals the power relations that underlie the relationship between global capitalism and social inequality, social harm and social wrongs” (p.684). In turn, Shamir (2004) argues that this hegemonic coalition has succeeded in infiltrating public and international institutions. In turn, these institutions may adopt the language and discourse employed by business, themselves serving to perpetuate the myth.

Not every group is accommodated however. It is impossible, in spite of what is implied by the simplified version of reality projected by the myth, to synthesise the interests of every social group into the hegemonic discourse. Laclau (1990) notes that only a limited number of signifiers can be integrated into the dislocated space otherwise the metaphorical power of the myth is reduced:

“It is important to acknowledge that many groups remain marginalised in the new environmental order. No compromise or accommodation is required with politically weak groups, such as the poor and unemployed, less developed countries, future generations or radical environmentalists. As a result, the distribution of environmental costs and benefits tends to be skewed to the advantage of relatively powerful groups” (Levy, 1997, p.141).

Therefore, although SER opens up a new discursive space where organisations admit to having wider social responsibilities than simply to make money for shareholders, that discursive space is closed off to any notion that these two are in conflict. The fact that some civil society groups maintain that such a conflict exists means that business will never succeed completely in its hegemonic mission, and that the historic bloc will remain contingent. Rather, what SER may do, combined with other discursive, material and organisational strategies, is establish enough consent among various actors to justify corporate autonomy. Levy and Egan (2003) note how NGOs, the government and academe in the USA have endorsed the win-win paradigm. Although how

stakeholders receive SER is not well known (although see Milne and Patten, 2005 and O'Dwyer *et al*, 2005) Tinker and Neimark (1987) caution against a blasé view of the influence of corporate reports: "To dismiss a firm's Annual Reports as mere 'public relations fluff' would be to underestimate the political power of these documents" (p.86). Beyond being merely symptomatic of corporate ideology, SER is an ideological weapon that attempts to mythologize (and therefore make real in the ideological sense) the congruence of business and socio-environmental interests. To trivialise the role of corporate reporting is to also trivialise our own ability to use corporate reporting to enlightening and emancipatory effect (Tinker and Neimark, 1987).

### **11.6 Inevitability of Myth**

Rather than being a spontaneous discourse, the existence of the myth can be explained by the political, economic and institutional contexts within which SER operates and the resultant need to limit corporate activities to those actions for which there is a business case. If business is incapable of working outside the realms of win-win, then SER should ideally reflect this by rendering transparent the conflicts inherent in corporate activity. However, such an articulation of incongruence itself has no business case. The discussion in the interviews around the Ecological Footprint is suggestive of this. The interviewees outlined a number of practical resource and time constraints on producing such an analysis. Moreover, these constraints were seen as outweighing the business benefits that would derive from such an activity. This is itself indicative of where business's priorities lie. Furthermore, part of the resistance to Ecological Footprinting seems to be ideological. The concern that such an exercise would not show the company in the light it deserves is itself indicative of the business need to discursively dissolve conflicts and show coherence.

Although corporations arguably have a moral duty to provide an account of their environmental interactions, this appears to hold less sway than business case imperatives. Thus, whilst the business case appears in the first instance to limit the social responsibility of corporations to matters of corporate self-interest, in the second instance the business case also appears to limit the extent to which corporations can tell the world about the implications of this narrow pursuit of self-interest. The business imperative to construct a myth of congruence seems to be underpinned by a highly contestable articulation of the socio-environmental worthiness of business. This presents a paradox for fuller accountability and the emancipatory potential of SER. More complete reporting would allow for substantive critique of this myth of congruence by rendering more transparent the conflicts inherent in corporate activity. However, the internalisation of that myth of congruence

itself prevents more complete reporting by restricting the possibilities of SER to the projection of win-win.

In turn, the need to restrict corporate activity to the win-win level itself can be explained by the politico-economic context within which large corporations operate. The micro level of individual SER construction is constituted by, and itself constitutes, wider power structures. The corporate mandate to grow and maximise shareholder's wealth, combined with the pressures exercised by the financial markets in these regards, preclude any possibility of a discursive capitulation. For organisations to render transparent the environmental impacts and social injustices that support and result from their activities would be to undermine their own legitimacy, an act for which there is no business case. The absence of a socio-environmental legal mandate and the power exercised by absentee corporate owners fundamentally undermine the possibility of complete reporting. Furthermore, in necessarily projecting the myth, SER confers legitimacy on both individual reporting entities and the wider power structures that demand the myth for their own continued existence. This points towards the inability of accounting to change underlying societal structures because those structures themselves are so powerful as to determine the nature of accounting (see, for example, Cooper and Sherer, 1984; Cooper, 1992, forthcoming; Tinker *et al*, 1991).

The existence of SER and the form that it takes is therefore explained by business's need to discursively align other interests around its own. It attempts to do this by constructing a myth of congruence that appeals to shareholders – who can see that management is focused on the business case – and to other stakeholders – who are informed that the business case is congruent with socio-environmental interests. The extent to which SER is actually successful in performing this hegemonic function is not completely clear, and depends largely on how SER is interpreted, if at all, by its purported audiences. In the next chapter this will be speculated upon in more detail. Although SER serves a hegemonic function by enacting discursive closure, the possible role that civil society can play in engaging with partial and selective SER arguably holds some emancipatory potential.

### **11.7 Summary**

This chapter has presented the Neo-Gramscian interpretation of the data. The chapter began by introducing Gramsci's theory of hegemony and then by drawing on the work of David Levy who has applied Gramsci's thought to analyses of corporate strategy. In particular, corporate strategies were outlined as being multifarious, incorporating material, organisational and discursive elements.

Although multifarious, the strategies are far from disparate but part of an integrated attempt to accommodate and transform social and regulatory pressures. CSR was presented as a material strategy, whereas SER was presented as a discursive strategy in this regard. The way in which SER operates as a discursive strategy was explored using the Neo-Gramscian discourse theory of Laclau and Mouffe. SER may be thought of as communicating the myth that business and socio-environmental interests are congruent. Furthermore, the interviewee dissolutions of conflict suggest that this myth making has an ideological basis. The function of the myth is essentially hegemonic, establishing consent for business's goals which in turn stabilises the historic bloc by transforming social pressures and antagonisms. It was argued that the need to ground CSR and SER within business case rationales makes the production of myth inevitable, and that business cannot be expected to do otherwise. The following chapter will reflect on what this Neo-Gramscian critique implies for the emancipatory potential for SER.

## **Chapter 12** **Conclusions**

*“Ideologies are historical facts which must be combated and their nature as instruments of domination revealed...in order to make the governed intellectually independent of the governing” (Gramsci, in Sassoon, 1988, p.196).*

### **12.1 Introduction**

This chapter concludes the thesis by outlining the way in which the research question has been answered and how the thesis contributes to the SER literature. In light of these conclusions, the implications for SER study and practice are discussed, with a particular emphasis placed on the emancipatory potential of SER and how this may or may not be realised. Some suggestions for future SER research are offered in the context of realising the emancipatory potential of SER. The specific contributions of the thesis to the study of SER are outlined in section 12.4 and the limitations of thesis are outlined in section 12.5.

### **12.2 Conclusions Relating to the Research Questions**

Why large companies report social and environmental information is the principle question that this thesis has explored. Answers have been provided to this question on two levels. Firstly, a series of interviews with corporate managers explored in-depth company motivations behind SER (and CSR). From the interviews it was inferred that SER and CSR are driven by a variety of motivations, and that these motivations vary across firms. However, the overwhelming majority of these motivations are related to business concerns. That is, SER and CSR are driven primarily by the business case for them.

Secondly, this inferred business case dominance was interpreted using Neo-Gramscian theory. It was argued that, because of the wider structures within which organisations operate, it was inevitable that business would seek to harness SER and CSR to commercial concerns. This was reflected by the discussion on limits, where interviewees implied that everything that they had to do socio-environmentally had to have a business case. More specifically, Neo-Gramscian theory was used to make

sense of the way in which SER fails to substantively expose the conflicts inherent in commercial activity. Interviewee dissolutions of conflict between commercial and socio-environmental criteria were explained by the need for the hegemonic group to construct a discourse that aligns its interests with the interests of various other groups in society. In turn, these managerial ideologies were related to the form taken by SER, which is one of congruence rather than conflict. Thus, it was argued that firms undertake SER in order to construct and disseminate the notion that business and socio-environmental interests are congruent. In turn, this acts as an ideological basis for corporate autonomy and continued expansion of the capitalist franchise.

The second research question concerned the emancipatory potential of SER. The answers to the research question above suggest that companies will (indeed *must*) always try to render SER as a vehicle for obfuscating conflict. Whilst the business case appears in the first instance to limit the social responsibility of corporations to matters of corporate self-interest, in the second instance the business case also appears to limit the extent to which corporations can tell the world about the implications of this narrow pursuit of self-interest. There is no business case for a full-blown exposition of the conflicts inherent in commercial activity. This would undermine the ideological basis for advanced capitalism. Whether or not this nullifies SER's emancipatory potential completely, will be reflected upon below when considering the implications of this thesis's insights for the practice and study of SER.

### **12.3 Implications for SER**

As argued in the previous chapters, SER remains incomplete (in part) because of the limits imposed by the business case. There are practical time and resource constraints upon undertaking Ecological Footprint<sup>1</sup> analyses. This itself is suggestive of non-congruence between commercial and socio-environmental criteria (of which accountability is a part). However, from a Neo-Gramscian point of view there would also be expected significant ideological resistance to, for example, Ecological Footprint analysis. The Ecological Footprint would from the outset seek to expose any conflicts that exist between organisational activity and environmental stewardship. Moreover, it would in all likelihood indicate environmental

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<sup>1</sup> Being one part of a putative completeness (see, Gray, 2000).

unsustainability for any large company. Thus, it would expose incongruence and the firm as an entity based on conflicting, rather than shared interests. This would undermine the hegemony of business. To freely present itself as in conflict with broader social and environmental concerns would be unthinkable. The only way in which business can present more of the conflicts that it faces through its SER is if it is forced to do so in order to maintain or extend the hegemony of its fundamental principles of profit and growth. It is difficult to imagine how this would come about.

Thus it is implied that we cannot expect business to deliver full accountability, as it is not in its economic interests to do so. SER cannot realise its emancipatory potential through the business case. A change to the legal mandate of corporations may be necessary for SER to realise its emancipatory potential. Until corporations are charged legally, backed up by changes to ownership structures and the role of financial markets, with a wider socio-environmental mission, any change in accounting will arguably be trivial or, more worryingly, further serve the vested interests that currently set the agenda (see Cooper and Sherer, 1984; Cooper, 1992; Puxty, 1986, 1991; Tinker *et al*, 1991). An emancipatory SER may presuppose corresponding fundamental changes to financial markets and ownership structures. In other words, emancipatory SER is predicated upon prior emancipation. This returns us to the radical left-wing critiques of SER that were presented in chapters 2 and 4:

“it does not follow...that an improvement in accounting policy can necessarily be achieved within the accounting domain. Rather, there is the implication that the politically determined nature of the value of accounting prevents any such resolution within accounting itself”  
(Cooper and Sherer, 1984, p.208).

Fuller accountability would expose the contradictions of capitalism and show the current historical bloc as contingent. The focus of the Classical Political Economy critiques is not on whether such accounting could change capitalism or not. Rather, these critiques question how such accounting could come about at all without first the change in capitalism that such an accounting seeks to bring about. Therein lies the paradox for SER.

*12.3.1 Emancipatory Potential*

One way of bringing about more complete reporting is to create the possibility for internal recognition of conflicts as a precursor to an account of those conflicts. As long as there are internal articulations of congruence, external projections of conflict will be unthinkable. However, the hegemonic group itself may not be capable of such an exposure. Business can only conceive of (what turns out to be incomplete) reporting as this allows for the articulation of congruence (and the illusion of completeness) that is necessary for its hegemony. It appears as though internal perceptions of conflict between business objectives and socio-environmental issues are not allowed to exist. At least at the managerial level congruence is articulated. There may be more widespread perceptions of conflict emanating from other elements of the workforce. Indeed, SER and CSR seem to be partly designed to absorb and mystify both internal conflicts and internal perceptions of external conflict.

Thus SER does not (and seemingly cannot) expose the hegemonic structure as contingent in itself. However, this does not mean that it is without emancipatory potential. Rather than being primarily about achieving accountability, SER serves a role in allowing for critique of the lack of accountability and in showing how business is incapable of delivering social responsibility (Gray, 2005). One way to resist the hegemonic myth is to expose it as such. Engaging with SERs and critiquing their content and non-content is one way of resisting rhetorical obfuscations of conflict. The myth of congruence will succeed in extending the hegemony of business if it is not exposed as just that: mythical.

SER and CSR are implicated in stabilising the current historic bloc and maintaining the hegemony of business. Levy (1997) notes that through Environmental Management corporations have “accommodated the environmental challenge through compromise and co-option, ameliorating their environmental impact sufficiently to blunt serious challenge to their hegemonic position” (Levy, 1997, p.131). In this sense, SER is implicated in a process that is counter-productive to the aims of accountability and democracy. However, even the corporate-spun SER may represent something of a success. The formation of hegemony always brings with it counter-hegemonic possibilities (Levy, 1997, 2005; Levy and Egan, 2003; Levy and Newell, 2002, 2005). The constantly shifting alliances and ideologies characteristic of historic

blocs occasionally present windows of opportunity for marginalised social movements.

Levy and Egan (2003) describe how the emergence of the eco-modernism discourse, although fundamentally hegemonic, entails second-order concessions on the part of business. For example, business essentially conceded its complicity in climate change and accepted some degree of emissions controls. Although not significantly challenging business's *modus operandi* or the role of markets, it does shift the terms of public debate (see also Levy, 1997).

Similarly, although SER performs an act of discursive closure, the fact that such a discursive space exists at all represents an accommodation by business that can be exploited by civil society:

“corporate adoption of the rhetoric of sustainability has enabled environmentalist to call attention to discrepancies between PR and reality. Corporate concessions over the reporting of Toxic Release Inventory data in the US enabled environmental groups to construct league tables showing the worst performers and exert further pressure to reduce emissions” (Levy, 2005, p.60).

In seeking to accommodate pressures on corporate transparency and social responsibility, business may be unwittingly sowing the seeds of its own downfall:

“Although CSR may be designed merely to counter corporate bashing, the potential unintended consequence is that the idea that corporations have responsibilities that go beyond the duty to satisfy shareholders sets deeper into public consciousness and paves the road to novel and innovative popular demands... Thus, the greater question about the social duties of corporations and their trajectory is a yet unforeseen contingency of the ongoing struggle between capitalism's tendency to produce its own sources of resistance, and capitalism's capacity to absorb and contain such hegemonic forces” (Shamir, 2004, pp.686-7).

As far as this is relevant to accountability specifically, Gray (2005) notes that SER, for all its capture, has succeeded in changing the nature of business's conversations with society. Therefore, the acceptance by corporations that they should be accountable to society, even though they largely discharge that accountability in a skewed and self-legitimising manner, may encourage civil society to demand more of corporations, or to question whether corporations are actually capable of delivering sustainability and social responsibility.

This stands in contrast to a Classical Political Economy interpretation of SER. Classical Political Economy interpretations lead to a view of SER as simply a tool for resolving the crises engendered by capitalism (see, in particular, Everett and Neu, 2000; Tinker *et al*, 1991 and Cooper, 1992, 2005). Gramscian analysis arguably allows for a more subtle appreciation of the complexities of a modern day advanced capitalism that has proven to be resilient and adaptive. A Classical Marxian view presupposes that a fundamental contradiction between the conditions of production and the environment will strengthen social movements and transform society. However, the last few decades have witnessed business actively embrace the environmental agenda in a way that a Classical Marxian approach fails to account for. This is better accounted for by Gramsci who ascribed a more significant role to the subtleties of accommodation. By understanding those accommodations in more detail, perhaps we can learn more about the opportunities for counter hegemonic possibilities.<sup>2</sup>

In particular, Gramsci's dialectical view of the relation between base and superstructure implies that the latter is not a mere logical consequence of the former. Rather, the base can be influenced by the superstructure. However, any alternative ideology must have the power of being based on underlying material forces; otherwise it may never become hegemonic. SER can realise its emancipatory potential if it can construct and disseminate a new ideology, one that is concerned with exposing and addressing social and environmental problems rather than obfuscating and perpetuating these.

Although SER undoubtedly has dissolved the antagonism of some civil society groups through sophisticated articulations of congruence, SER at the same time provides an opportunity for civil society to invigorate itself and fight to make sure that social and environmental responsibility is about more than eco-efficiency and employee satisfaction. In this sense, liberal-democratic models of SER may not be as misguided as Lehman (1999, 2002) suggests. Rather than the corporation itself, civil society may indeed be the more appropriate agent of change. Indeed SER is arguably not a means for making corporations more responsible so much as it would ideally

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<sup>2</sup> Tinker *et al* (1991) and Tinker and Neimark (1987) in particular describe a resilient and adaptive

show how corporations are incapable of responsibility. However, corporate captured SER still provides a basis for civil society to get active. Such a reawakening of civil society may demand a change in focus for social accounting academics, looking to build accountability relationships from the ground up (Lehman, 1999, 2002 and see also Cooper, 2002 and Cooper *et al*, 2005) but it also holds a place for SER as a potential chink in the corporate armour.

In the ongoing war of position between the hegemonic coalition and civil society SER may operate as something of a trojan horse (Gray, 1992). As long as social accountants are reflective about the tendencies toward corporate capture then SER will retain emancipatory possibility. This demands social accountants assume the role of organic intellectuals and enact a philosophy of praxis, basing themselves in effective reality in order to transcend it. "But what is this effective reality? Is it something static and immobile, or is it not rather a relation of forces in continuous motion and shift of equilibrium?" (Gramsci, 1971, p.172). Like it or not, we are in a war of position with business. The move to a more socially and environmentally conscious historic bloc will not come about of its own accord. Rather, it may require incremental measures that take into account the structural limitations of the current historic bloc at the same time as developing strategies for more radical change (Levy and Newell, 2005). When faced with resource rich adversaries, intelligent agency and strategy can exploit the dynamic nature of social systems in order to gain ground. The war of position is a long-term strategy

"co-ordinated across multiple bases of power, to gain influence in the cultural institutions of society, develop organisational capacity, and to win new allies. As in a game of chess, power lies not just in the playing pieces, but in the configuration of forces relative to each other and to adversaries, and each set of moves and countermoves opens up new fissures and presents fresh possibilities to prise open the seams of a historic bloc" (Levy and Newell, 2005, p.51).

Hegemony can never be complete because the historic bloc is always dependent on a radical outside. This is where the possibility for radical change comes from:

"incompletion of the social is our main source of hope in the contemporary world; only it can ensure the conditions for a radical democracy" (Laclau, 1990, p.82).

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capitalism. However, there is no indication of any counter hegemonic possibilities in their analysis.

The challenge is to nourish and invigorate the radical outside of the current historic bloc. That invigoration, argues Laclau (1990) depends on the level and extent of structural dislocations in contemporary capitalism. Although contemporary capitalism creates its own crises, it has proven to be successful in also absorbing and containing those crises. However, the market system is not an inexorable self-regulating structure that leads automatically to the rampant type of capitalism that we experience today. It is a system of power relations that works through the wills of its participants, not of its own accord (Laclau, 1990). It can be made democratic and controlled socially. What is needed is the proliferation of antagonism on a number of fronts that exposes the contingency of the historic bloc. By rendering the dislocations of contemporary capitalism transparent, the possibility for re-articulating the social and creating new forms of social control (meaning a more benign hegemony) becomes possible. Both corporate centred SER and civil society generated social accounting may have a role to play in this regard.

### 12.3.2 Engaging with SER and Civil Society

This thesis has sought to draw from both critical accounting and SER. Both of these schools of thought will have merit as long as they serve to challenge the structural constraints of capitalism in the process. In building accountability relationships from the ground up critical accounting can revitalise the public sphere. A revitalised public sphere would make it more difficult for corporations to pass off partial and incomplete reports without any repercussions. Corporate Social Responsibility strategies that are not based on substantive change in corporate activities (i.e. that are merely changes in communications) would be less successful in conferring legitimacy on the corporation<sup>3</sup>. This is how critical accounting can complement SER.

SER can complement critical accounting, and arguably already has, by offering something more substantive to critique. As Gray (2005) notes: "social accounting has

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<sup>3</sup> Lindblom (1994) outlines various legitimisation strategies, some of which are based on actual organisational change whereas others are merely to influence perceptions. Whilst recognising that change-based legitimisation strategies may generally be more favourable than perception-based legitimisation strategies, this is not to say that the latter are unproblematic. Deegan *et al* (2002) point out that legitimisation strategies, whether or not they embrace actual change, are still not motivated by a 'right to know'. Without public concern, there may be no disclosure. It is thus worth keeping accountability in mind when assessing corporate disclosures.

succeeded in changing the terms of the conversations that corporations have with society and, in doing so, provide a substantive basis on which to argue about the partial and selective nature of that conversation” (p.14). The corporate inability to deliver sustainability or “any form of social responsibility beyond the utterly trivial” (Gray, 2005, p.22) is evident from critiques of SER. Thus, even if SER fails in its mission to discharge accountability, that failure itself could provide an impetus for a more thorough Marxist critique and, in turn, for civil society to take control. As a rejoinder to Tinker *et al*'s (1991) accusation of political quietism, SER may still have emancipatory potential as a ‘trojan horse’ (see Gray, 1992 and 2002).

Corporate SER is not a sustainability panacea. Indeed, it is admittedly more of a placebo (Gray, 2005). Its pursuit is one that is certainly fraught with difficulties. Moreover, its “emancipatory potential” (Bebbington and Thomson, 2005) should not be viewed in isolation, but as part of a wider attempt by disparate civil society groups to wrestle control and meaning back from corporations. As part of a wider nexus, it certainly seems to offer hope, even in spite of its obvious ‘capture’.<sup>4</sup> Hegemony is never complete and critically informed researchers working in this area can keep pushing for a better accounting that exposes the contradictions of capitalism, even in the face of both economic and state reluctance: “all our dimensions of critique, for example, those identifying accounting’s repressive tendencies, need to be fed back into attempts to pragmatically design and prescribe reporting systems which would be better (Gallhofer and Haslam, 1997a, p.84). Captured reporting systems may always be exposed as such. This would, if successful, show how corporations are incapable of delivering sustainability and, if a failure, show how corporations are incapable of even telling us that they cannot deliver sustainability. The role of the researcher here is crucial in exposing whichever outcome materialises, and the latter seems much more likely.

The job then for anyone concerned with rearticulating the current order along more socio-environmentally minded lines is to debunk the corporate rhetoric that tells us that those responsibilities have been satisfied. To do this may require an appreciation

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<sup>4</sup>Elad (2001) describes a situation where SER took the form of “ideological greenwashing”. Nevertheless, even this misleading SER was engaged with by stakeholders and used to expose the reporting entity’s social and environmental track record. Thus, it is implied that even captured, watered down SER can initiate critique and therefore captured SER is better than no SER at all.

not only of SER, but of civil society perceptions of SER also, and the interrelation between the two. Complete reporting may need to be imposed upon business antagonistically from its radical outside. Civil society may have to undertake more complete reporting itself. The production of shadow accounts, based on external sources of information could be usefully used to juxtapose corporate rhetoric with marginalised voices and alternative representations of reality. This would essentially entail the production of accounts by individuals and groups external to the corporation in question and would be informed by the work of Cooper (2002); Cooper *et al* (2005); Dey (2003); Gray (1997) and Lehman (1999, 2002). These accounts would essentially expose the complexity and contradictions inherent in corporate activity. Shadow accounts could be used to political ends to debunk the myth.

O'Dwyer *et al* (2005) have started a process of identifying stakeholder perceptions of SER and the opportunities for critical engagement therein. More work with civil society groups may reveal the extent to which the myth has been successful in pacifying and deflecting radical threats to the historic bloc. The arguments outlining the inadequacy of current SER in providing an accurate assessment of organisational socio-environmental performance may be abstract for many people. Working with NGOs, government, legislators, reporting awards schemes and reporting standards organisations such as the GRI may be essential in raising critical awareness of the mythical nature of SER.

Beyond critique, social accountants can articulate new ways of constituting the social, providing alternatives to the current order that is leading us to almost certain demise. If corporations are incapable of this, and if the state is largely captured, then it is incumbent upon civil society to undertake this task itself. Social accountants can contribute to a counter-hegemonic movement, helping civil society create space within itself (Lehman, 1999, 2002). Rather than expecting the economy to reverse its totalising immersion into civil society, civil society can, through its own self-generation, squeeze out the economy; or force it to make ever more concessions until the antagonisms inherent in corporate activity became so apparent that it would be impossible to sustain an argument for advanced capitalism. Social accounting for the third sector, or the social economy, may offer more hope in bringing about

meaningful social change. An overall vision for the social economy and the role of social accounting therein has not been articulated (although see Pearce, 2003 for some reflections on this) but the different forms and scales of organisation in that sector may be a much more appropriate basis around which to structure society. Social accounting in the third sector may therefore be utilised to build the social and environmental capacity of organisations as part of a bottom-up invigoration of civil society. As such, social accounting here may help in bringing about the ideological revolution that Gramsci saw as a precondition of political revolution. Part of this would inevitably entail critical consideration of the interactions between civil society organisations and the private sector (see above).

Dey *et al* (1995); Gray *et al* (1997); and O'Dwyer (2005) have all described the processes of social accounting in values-based organisations. These three studies all discuss the notion of managerial capture to some extent. It is of interest that managerial capture, and the subsequent trivialisation of social accounting processes, occurs also in non-profit organisations where one would expect fewer obstacles and indeed many incentives to increased transparency, dialogue and self-reflection. Further research could explore why this is the case, perhaps by replicating the interviews in this thesis with civil society organisations that have undertaken the reporting process. Such a study would explore the motivations for social accounting in the social economy and provide a basis for assessing the potential for meaningful social change to come about from that quarter. Another option is to facilitate social accounting processes in those organisations:

#### **12.4 Contributions of the thesis to the study of SER**

The exploration of motivations for SER identified here cohere with, yet build upon the insights offered by Miles *et al* (2002). The SER motivations cited by Miles *et al* (2002) similarly encompass pressure from the city, government, stakeholders and peers as well as the proactive seeking of enhanced reputation, reduced costs and risks and increased staff morale. However, whereas Miles *et al*'s largely descriptive study was geared mostly towards breadth, this study also seeks to provide depth to the interviewee articulations. Miles *et al*'s (2002) exploration was largely functionalist in nature and as such precluded consideration of much of the complexity and messiness

of interviewee articulations. The more interpretive approach employed here has attempted to explore the struggle for meaning at the organisational level by embracing the contradictions and ambiguities inherent in interviewee articulations. In doing so, this has highlighted the interconnected and dynamic nature of the construction of the business case.

In particular, the thesis suggests that firm motivations are complex and multifarious. Furthermore, the business case manifests itself in different ways across firms. These insights stand in contrast to dominant explanations within the literature whereby SER is seen to serve a single function such as legitimacy or stakeholder management. Although many of the motivations overlap and, in some cases may be conducive to the same thing (such as satisfying market pressure ultimately), there are also instances where the different motivations remain distinct from one another. Stakeholder management, for example, may be construed as both a form of risk management that responds to market pressures as well as a motivation in its own right, necessary for the smooth operation of day-to-day business activities. The direction that this thesis took was influenced by the perceived under-specification of Legitimacy and Stakeholder Theories of SER and it has provided further evidence as to how these theories are under-specified.

However, the main contribution of the thesis was not in developing a bourgeois<sup>5</sup> understanding of SER. Rather, the thesis sought to critically consider SER within the context of the hegemonic nature of the capitalist system. What is more interesting from this perspective is not a dissection of the business case, but the fact that the business case dominates. Moreover, this thesis has explored what this business case dominance implies for the possibilities of more complete SER. Although SER motivations are complex and multifarious in one sense, in another they are quite simply underpinned (in the main) by commercial concerns. SER is both one manifestation of, and a crucial legitimating factor for, the business need to ground everything in a business case. Although these seem like fairly self-evident and trivial conclusions, it is perhaps a surprise that the literature has not reflected them

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<sup>5</sup> Meaning an analysis at the level of firm-stakeholder mediations rather than system level mediations.

previously. These critical considerations also represent an advancement on Miles *et al* (2002).

More specifically, drawing from the Neo-Gramscian theorisations of David Levy and Ernesto Laclau and Chantal Mouffe, the thesis elucidates the way in which both CSR and SER serve ideological functions on behalf of capital. SER in particular is viewed as a discursive strategy that constructs and disseminates the myth that companies' interests are congruent with socio-environmental interests. This myth is a simplification of reality that is enacted through partial and selective reporting. The 'myth of congruence' is posited as establishing an ideological basis for corporate autonomy, which in turn serves the hegemonic function of stabilising the current historic bloc. The obstacles to more complete SER are consequently posited as being in part ideological, although arguably the business case for this ideology is a logical extension of the corporate form and the role played by financial markets.

Indeed, the thesis has sought to traverse two levels of analysis, both that of firm-stakeholder mediations and system level mediations. The interviewees' conflation of CSR and SER suggests that these are two overlapping elements of an integrated strategy to accommodate social pressure and transform conflict. Social accountants may wish to consider in the future the overlap between these two strategies, as well as the overlap between firm level and system level mediations. The theoretical framework used in the thesis relates individual corporate strategies to wider systems of domination and power. Firm level initiatives are viewed as both constituting, and constitutive of, wider institutional arrangements.

Social accountants have long argued for the necessity of mandatory SER as a means of overcoming the partiality and distortions of voluntary initiatives. Others have argued that stakeholders should be given power in dialogue and corporate decisions (see, for example, O'Dwyer *et al*, 2005; Owen *et al*, 2000; and Thomson and Bebbington, 2005). However, even where disclosure is mandated, compliance is generally low and the quality of information very poor (see, for example, Freedman and Stagliano, 1995, 2002 and Day and Woodward, 2004). Even enforcement measures may not be enough to ensure that organisations produce meaningful assessments of their socio-environmental performance as additional legitimating

disclosures will always be possible (Deegan, 2004). Reporting legislation could well be a step in the right direction, but it should be borne in mind that transparency and accountability (in the wider sense) are notions that are fundamentally in conflict with the nature of public limited companies. The insights offered by the thesis imply that, as accountants we should also think about the corporate form and the role that financial markets play in shaping corporate activity in particular ways, ways which set companies at odds with substantive notions of social responsibility. Thus, any argument for further SER should be understood in its wider political and economic contexts. In particular, it should be recognised that unless there is a change to the corporate form and ownership structures, corporations will always seek to use SER and CSR to mythologize the crises generated, at least in part, by capitalism.

### **12.5 Limitations of the Thesis**

The final story that has been presented is contingent on a number of factors. Firstly, the results presented here may be specific to the firms interviewed and not generalisable to the SER of other large firms in the UK or elsewhere. Furthermore, the results may bear little relation to the SER practices of small firms and/or the social accounting of social economy organisations. Additionally, the perceptions of the interviewees have been relied upon to infer firm motivations. It may be that in speaking to other people within the organisations studied, at different levels or from different departments, different motivations would be revealed.

The way in which the actual interviews were conducted has influenced the interviewee responses. The particular line of questioning often involved probing on the part of the researcher. Although any interviewer can never remain neutral (the questions and topics of discussion themselves reflect particular inclinations and biases), the researcher in this case was perhaps slightly more combative than is usually the case during a research interview. Although the rapport between interviewer and interviewee generally remained cordial in each interview, this interviewing style may have influenced the responses of interviewees in some way.

In fact, one may question the extent to which the interviewees' articulations can be accepted as truthful. The "practical consciousness" (Giddens, 1984, p.44) of

interviewees, or the way in which they perceive and interpret things around them, will vary from individual to individual. Thus one interviewee in one firm may have a different interpretation of an event that is very similar to an event witnessed by an interviewee from another firm. Moreover, individuals may hold back or slightly alter their own interpretations when communicating them to the researcher, for whatever reason. Some reflection on the extent to which interviewees actually believed in their own conflict rationalisations was offered through cognitive dissonance theory (see chapter 10), but this was somewhat speculative. A more in-depth psychological investigation would be required to shed more light on these issues. However, such an investigation was outside the scope of the thesis.

The inferences drawn from the data were highly contingent on the researcher's own fore-understanding<sup>6</sup>. We filter everything through our historically conditioned selves (see appendix one for a more systematic consideration of how one reaches an understanding of the social world). Although a systematic and rigorous data analysis was carried out, the *exact* inferences drawn and the subsequent interpretations made would unlikely have been reached by another researcher following exactly the same process. There was a highly personal element to the data analysis and interpretation and, lacking an objective standpoint or external yardstick, it is very difficult to see how and why certain streams in the data were identified by the researcher. Indeed, Ahrens and Dent (1998) note that this is the most untheorised part of the qualitative research process. Nevertheless, it is conceded that what is presented is an interpretation in which the researcher's fore-understanding played a pivotal role.

Applying the theoretical framework is another element of the research study that the final story is contingent upon. Not only was the Neo-Gramscian theory used to elucidate the empirical findings, but that theory shaped the research design from the outset of the main study. Thus, the interview protocol; the way in which the interviews were conducted; the interviewee responses; and the subsequent inferences drawn and interpretations made were all shaped in some fashion by the researcher's own fore-understanding (which included readings of Gramsci and Gramscian theory, as well as many other authors whose influence cannot be directly determined). More

specifically, given that Gramsci was used to frame a study that yielded a Gramscian interpretation, it could be argued that the dice were loaded from the outset. The researcher was very conscious of this danger of making an instrumental interpretation, and was reflective throughout the course of the entire research study on this very point. However, the Gramscian (and this incorporates Laclau and Mouffe as well) influence on the research project must be recognised as pervasive, serving to construct and illuminate one story. At the same time the Gramscian theorising has submerged many other stories that could have been told.

We can only ever have a partial understanding of the world (Gadamer, 1989), and that understanding is facilitated through theory. However, one theoretical interpretation often precludes another. The Neo-Gramscian framework is not the only theory that could have been used, and other theories would surely have illuminated other elements of SER practice that could answer the research questions. Indeed, the theoretical framework employed does not explain everything that the data has to offer. Although the business case dominates the articulations of interviewees, the existence of internal champions and, in some cases, socio-environmental motivations does suggest that the business case does not tell the entire story. Nevertheless, the dominance of the business case is used as the basis for the Neo-Gramscian critique of SER. Thus, and again, that interpretation simplifies reality.

The theoretical interpretation does not offer a complete answer as to why organisations report. Indeed, it cannot capture the full complexity of the data either. By virtue of the level of analysis taken, i.e. the situating of SER and CSR in a wider socio-political context, a more thorough unpicking of the richness in the data is foregone. The theoretical framework provides an explanation for the dominance of the business case *per se*, it does not explain well the complex and multifarious nature of the business case and how it manifests itself differently across firms. Much of the detail in the data, particularly as regards to motivations, does not enter the parameters of the theoretical framework. A more bourgeois analysis would allow for a more focused consideration of how different SER and CSR motivations interconnect

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<sup>6</sup> Being the combination of the researcher's theoretical priors, biases, prejudices, methodological leanings and general view of the world.

dynamically in order to give rise to the multifarious business case that seems to be necessary in legitimating the pursuit of SER and CSR by any organisation.

In addition to this restriction imposed by the level of analysis assumed by the theoretical framework, Gramscian theory generally has been criticised as regards to its desirability within its own level of analysis as well. For example, Laclau and Mouffe have been accused of a bourgeois conservatism in their abandonment of the centrality of class struggle (see, for example, Geras, 1987 and Bertram, 1995). In emphasising that society is characterised by a number of antagonisms between various groups, with capital versus labour being only one of these, Laclau and Mouffe arguably move too far away from Marxism and efface fundamental structural imbalances. On the other hand, they have also been accused of not moving far enough away from Marxism. In analysing the function of hegemonic formations, what both Gramsci *and* Laclau and Mouffe advocate is essentially a counter hegemonic struggle as a means of bringing about a radical democracy (see above). Such a strategy is rooted in the logic of hegemony, assuming that power is inescapable and that emancipation can only come about through the creation of a new system of power. Day (2004) suggests that this strategy, which he refers to as a “politics of demand”, is flawed in its own terms because

“every demand, in anticipating a response, perpetuates these structures (of domination), which exist precisely in anticipation of demands...the fundamental fantasy of the politics of demand is that the currently hegemonic formation will recognise the validity of the claim presented to it, and respond in a way that produces an event of emancipation. Most of the time, however, it does not, instead it defers, dissuades and provides a partial solution to one problem that exacerbates several others” (p.734).

Thus, on this account, Gramsci and Laclau and Mouffe do not recognise sufficiently that counter-hegemonic struggles can be co-opted and serve to make the current hegemonic formation even stronger.<sup>7</sup> Day (2004) suggests that what should be pursued is a “politics of the act”, that does not seek simply to replace one hegemony with

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<sup>7</sup> This criticism of Day’s (2004) is in fact highly debatable. Gramsci and Laclau and Mouffe arguably give due consideration to the dangers involved in counter-hegemonic struggle, although a substantive discussion on this point will not be delved into here. Irrespective of this moot point, Day’s (2004) criticism still carries weight as far as it critiques Gramscian assumptions of the inescapability of power formations.

another, but seeks actively to break the “hegemony of hegemony” (p.717). Non-hegemony rather than counter hegemony is what Day (2004) advocates.

The thesis also lacks more robust empirical support for the mythical nature of SER. Although widely accepted as being of very poor quality (see, for example, Adams, 2004; Gray, 2000; Gray and Milne, 2002, 2004; Thomson and Bebbington, 2005), there is a general absence of studies to look qualitatively at the language and imagery that is projected through SER (although see Milne *et al*, 2005). The interviews would have benefited by being supplemented by an analysis of the way in which conflicts are presented in reports. A cursory reading of SER gives the impression that conflicts are dissolved overall and that a very socio-environmentally worthy picture of business is painted, but also that some conflicts are presented. To say that SERs dissolve conflicts is, in the main, true but this also simplifies the situation somewhat. As such, the notion that SERs are mythical is, itself, somewhat mythical.

A further limitation of the study relates to what has been used to represent SER. Unerman (2000) notes that focusing only on Annual Report disclosure would lead to an incomplete picture of reporting practices. Similarly, this thesis’s practical focus only on stand-alone SER and not other forms of media through which organisations disseminate ideology is a somewhat restricted view of the accounting function. Indeed, some interviewees downplayed the importance of the SER as a communication vehicle, pointing out that it was only one of numerous communication channels used. Corporations use a variety of media in order to construct themselves as ‘green’, ‘socially responsible’ or ‘sustainable’ including advertising, employment brochures, press releases and public presentations.

### **12.6 Summary**

This chapter has provided some conclusions as regards to why organisations report and explored what these conclusions imply for an emancipatory SER. The role of social accountants in developing an emancipatory SER was discussed in terms of civil society interactions and in forming a counter-hegemony. The contributions of the thesis to the study of SER were delineated. Finally, the limitations of the thesis were outlined.

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## Appendix 1 Methodological Reflection

### Introduction

Burrell and Morgan's (1979) typology can be seen as an attempt to make researchers sensitive to their own theoretical assumptions (see Johnson and Duberley, 2003). That typology is presented here as a heuristic for hermeneutic research. Although the subject-object dualism explicit in Burrell and Morgan's (1979) typology is called into question by hermeneutics, the typology elucidates many of the methodological issues that a researcher faces prior to, during and after a research study. Hermeneutics is an ontological framework. From the basic hermeneutic circle flow issues pertaining to epistemology and method.

The layout of the chapter is as follows. Firstly, Burrell and Morgan's (1979) typology of approaches to social science research is laid out. This typology is based on dimensions of assumptions about the *nature of social science* and assumptions about the *nature of society*. Underpinning Burrell and Morgan's (1979) classification of assumptions about the *nature of social science* is a subjective-objective dualism. This encourages researchers to tend towards *either* subjective *or* objective approaches. However, Thielemann (2000) notes that there should not be a distinction between value-free and value-laden theories, but only between more and less self-reflective theories. Indeed, the subjective-objective dualism has been questioned by researchers of a hermeneutic persuasion who, instead, conceive of a duality between subjective and objective elements (see, for example, Llewellyn, 1993; Johnson and Duberley, 2003; Boland, 1989; Alvesson and Skoldberg, 2000). This subjective-objective duality is evident in the work of Hans-Georg Gadamer in particular. Gadamer's work points toward an essential interpenetration of the subjective and the objective, where language has a constitutive role in our being. This, it is argued below, suggests that our understanding of the world can only ever be partial. Nevertheless, understand the world we must, and the recognition of the partiality of our understanding is actually the very basis for that understanding.

Laughlin's (1995) middle-range thinking is then briefly introduced. A broad application of Laughlin's (1995) approach is presented as a plausible means of structuring a hermeneutic research project. 'Skeletal theorising' that is subject to revision in real-life situations is consistent with the interplay between fore-understanding and new experience that is characteristic of the hermeneutic circle. As with Laughlin's (1995) middle-ground theorising, hermeneutics points towards the iterative and reflexive nature of 'understanding' (rather than 'knowledge'). The chapter finishes by conceptualising this reflexivity that is necessary to ensure rigorous and reliable interpretations.

### **Methodological Assumptions**

Burrell and Morgan (1979) argue that social science can be viewed or approached from four distinct sociological paradigms: functionalist, interpretive, radical humanist and radical structuralist. These paradigms themselves are characterised by Burrell and Morgan (1979) as reflecting different methodological assumptions about the *nature of social science* and assumptions about the *nature of society*. Essentially, assumptions about the nature of social science range from the purely subjective to the purely objective. Combined with the spectrum ranging from society as a cohesive unity to society as a conflict-ridden structure, a two-dimensional, four-paradigm typology of social science emerges. Burrell and Morgan (1979) maintain that different approaches to social science can be positioned within this typology depending on how their particular assumptions regarding the *nature of social science* and the *nature of society*.

The debate around the *nature of social science* is described by Burrell and Morgan (1979) in terms of four strands: ontology, epistemology, human nature and methodology. Each of these four strands are conceived by Burrell and Morgan (1979) in terms of how they vary according to subjective and objective dimensions. Ontology refers to the nature of reality and whether reality may be considered of an objective nature or the product of individual consciousness. Using the extreme positions of nominalism at the subjective end of the spectrum, and realism at the objective end, Burrell and Morgan (1979) show the wide divergences that ontological positions can take. A nominalist assumes that the social world consists of names and concepts that are used by humans to structure reality. This can be sharply contrasted with a realist position which assumes that the world exists independently of an individual's perception of it.

Epistemology, argue Burrell and Morgan (1979) is strongly related to ontological positions (see also, Laughlin, 1995). Epistemology refers to what we can consider as knowledge. Burrell and Morgan (1979) use the extreme positions of positivism and anti-positivism to show, respectively, how objective and subjective views diverge. Positivism seeks to explain and predict what happens in the world by searching for regularities and causal relationships. The growth of knowledge is a cumulative process. In contrast, anti-positivism rejects the validity of the 'observer' standpoint. One can only understand by occupying the frame of reference of the participant in action. One has to understand from the inside rather than the outside.

A third strand to the *nature of social science* is the way in which human nature is viewed. On the extreme subjective end, Burrell and Morgan (1979) highlight the position of voluntarism, which views Man as completely autonomous and characterised by free will. At the objective end, the deterministic position views Man as being completely determined by the situation or environment in which he is located. Finally, Burrell and Morgan (1979) also consider different views on methodology, meaning the way in which knowledge can be ascertained. A subjective view such as ideography suggests that the researcher must get close to the subject and involve oneself in the study. A nomothetic approach reflects a more objective view where detachment and systematic technique should be employed.

These are the strands that Burrell and Morgan (1979) highlight as affecting how one views the *nature of social science*. It may be useful to note at this point that Burrell and Morgan (1979) are not suggesting that there are only either purely subjective or purely objective positions. Rather, that there is a subjective-objective spectrum where certain approaches will reflect a more or less subjective or objective position. Burrell and Morgan's (1979) typology below shows how different approaches tend towards different poles.

The second dimension which Burrell and Morgan (1979) employ regards the *nature of society*. The term 'sociology of regulation' is used by Burrell and Morgan (1979) to refer to theorists who emphasise the underlying unity and cohesiveness of society. This view "attempts to explain why society tends to hold together rather than fall apart" (Burrell and Morgan, 1979, p.17). In contrast, the 'sociology of radical change' seeks explanations for the structural contradictions and conflicts that are seen as characterising society. As Burrell and Morgan (1979) note, the 'sociology of radical change' is often concerned with society's potential rather than how society actually behaves. Theorists tending towards this view are interested to articulate alternatives to the *status quo*.

These two dimensions allow Burrell and Morgan (1979) to identify four distinct paradigms for social science and to therefore understand different methodologies as broadly functionalist, interpretive, radical humanist or radical structuralist. The typology shows that functionalist approaches are strongly objectivist in nature and seeks to provide rational explanations for social affairs.<sup>1</sup> The interpretive paradigm reflects a tendency toward subjectivism and the sociology of

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<sup>1</sup> Although much functionalist research is positivist and therefore conservative in nature (see, for example, Tinker, 1982), Burrell and Morgan (1979) also note that functionalist research need not serve to reproduce the status quo. That is, a theorist may tend towards a 'sociology of regulation', which emphasises that social change comes about through social engineering, but still seek to change radically the current structure of society.

regulation. Burrell and Morgan (1979) suggest that interpretivists will try to “understand the fundamental nature of the social world at the level of subjective experience. It seeks explanation within the realm of individual consciousness” (p.28).

Moving toward the sociology of radical change but staying with a subjectivist standpoint takes us to the radical humanist paradigm. Like interpretivists, radical humanists too are concerned to understand social phenomena through individual consciousness. The difference between the two paradigms, argue Burrell and Morgan (1979), is that radical humanism is much more concerned with overcoming existing structural inequalities and conflicts. Radical structuralism too is aimed at overcoming existing modes of domination and deprivation. However, its underlying assumptions about the *nature of social science* bring it closer to functionalist theory. Radical structuralism is aimed at understanding the objective structures of domination and the relationships that generally persist in society. It adopts a more realist view of the world.

#### *The Burrell and Morgan Typology in Question: Dualities*

Burrell and Morgan’s (1979) typology is a self-admittedly political project. Their classification of different approaches exposes the dominant functionalist paradigm as only one of many potential approaches that may be taken in social science research: “Stepping outside of the functionalist paradigm, we have had an opportunity to become aware of the nature of the broad intellectual traditions at work” (Burrell and Morgan, p.396). That is, there is more to social science research than just functionalism. Indeed, the appropriateness of functionalism per se for the social sciences was severely doubted.

Deetz (1996) argues that the success of Burrell and Morgan’s (1979) grid is a result less of its sociological and philosophical worthiness than its appeal to this growing unrest with the dominant functionalist paradigm at the time. Burrell and Morgan (1979) were delivering a wake up call to the functionalist orthodoxy, questioning the wholesale incorporation of natural science methods and techniques into social science (see also Tomkins and Groves, 1983). In doing so, Boland (1989) argues that they have contributed to breaking the hold of a crude objectivism on accounting research (see also Willmott, 1993).<sup>2</sup> However, there remain concerns over the philosophical underpinnings of their typology.

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<sup>2</sup> Deetz (1996) maintains that Burrell and Morgan’s (1979) analysis actually protects functionalists from more damning critiques (which they would not understand) in favour of their preferred battle between objectivity and subjectivity. A more thorough analysis, argues Deetz (1996) would expose the values and sources of subjectivity hidden in functionalism such as the implicit desire to dominate others and nature.

Boland (1989) suggests that Burrell and Morgan (1979) have also laid a trap for those seeking to take a more subjective turn. The typology has arguably been reified (Boland, 1989; Deetz, 1996), and researchers could be tempted to try and find a particular pigeon-hole within which to place themselves, or *-ism* to describe themselves as. Indeed, this is explicitly encouraged by Burrell and Morgan (1979) themselves:

“In essence, what we are advocating in relation to developments within these paradigms amounts to a form of isolationism. We firmly believe that each of the paradigms can only establish itself at the level of organisational analysis if it is to be true to itself” (p.397).

Thus, researchers are exhorted to become *-ists* of certain sorts in order to develop new paradigms that will challenge the functionalist orthodoxy. This is fine as long as Burrell and Morgan’s (1979) typology holds. However, Willmott (1993) argues that the typology lacks credibility and is therefore limited in its usefulness in countering functionalist hegemony. In returning to Kuhn, Willmott (1993) points out that paradigms all have anomalies, are fluid and subject to change. Therefore, paradigmatic analysis is somewhat fuzzier and less concrete than Burrell and Morgan (1979) suggest.

Boland (1989) contends that the proposed “isolationism” is based on the questionable premise that subjectivity and objectivity are distinct from each other. It is suggested by Boland (1989) that “each requires the other for context in order to be completed and to stand out as apart and separate” (p.592). Deetz (1996) suggests that viewing research approaches in terms of their subjective and objective dimensions amounts to a *de facto* neo-positivist position. An objective-subjective *dualism* has similarly been questioned by Llewellyn (1993). A hermeneutic approach to social science considers a *duality* between the subjective and the objective that calls Burrell and Morgan’s (1979) typology into question.

This is not to deny the value of Burrell and Morgan’s (1979) analysis. Their paradigmatic analysis may be viewed as an extremely useful heuristic for sensitising researchers to the assumptions underlying different methodological approaches, and how different approaches may relate to each other. However, thinking in terms of dualities may call into question the compartmentalisation that Burrell and Morgan (1979) advocate. For example, Giddens’s (1984) Structuration Theory posits the duality of agency and structure, where the two presuppose one another. Giddens (1984) argues that there can be no agency without structure, and vice versa. Thus, the duality of agency and

structure would seem to be inconsistent with the extreme positions of determinism at the objective end, and voluntarism at the subjective end.<sup>3</sup>

Dualities are inconsistent with extreme positions generally (Giddens, 1984). However, the rejection of extreme methodological positions itself does not refute the appropriateness of Burrell and Morgan's (1979) typology. A certain approach could be considered to tend more towards agency than structure, for example. Or it might perhaps tend more towards the subjective than the objective. Thus, dualities may merely move us away from the edges of the paradigm matrix into a more (sic) 'realistic' middle ground. However, does this mean that distinct positions within the matrix could still be adopted? Dualities refer not only to a rejection of extreme positions, but also to flux and change between (say) the agent and the structure, or the subject and the object. The two are constantly redefining each other and so are permanently dislodged. Therefore, stable positions within a matrix may be unrealistic. As Willmott (1993) notes there are "incommensurabilities between value positions" (p.701), only these may be less distinct than Burrell and Morgan (1979) suggest. For example, Willmott (1993) gives the example of Labour Process Theory that, given its recent theoretical developments, would fit into three of Burrell and Morgan's (1979) four mutually exclusive paradigms.

I will now outline a broadly hermeneutic approach to social science. The word approach is used rather than position as this better reflects the less compartmentalised nature of such a methodology. I will attempt to show how the hermeneutic methodology outlined is one which does not easily render itself to compartmentalisation due to the presumed duality between subjectivity and objectivity. Indeed, it may be worth bearing in mind that Burrell and Morgan's (1979) positioning of hermeneutics within their typology may not sit easily with the hermeneutic approach outlined below.

### **Beyond the Burrell and Morgan Typology: Hermeneutics**

#### **Ontological Basis**

Hermeneutics comes from the ancient Greek *Hermes*, meaning interpretation. It has been used in two main ways. Originally, it was developed as a *science* of interpreting biblical texts. Thus, it was originally concerned with recovering authentic knowledge (Llewellyn, 1993). However, hermeneutics in more modern times has come to be understood as a *philosophy* of understanding. Thus, it is concerned not only with textual interpretation but also with understanding human action.

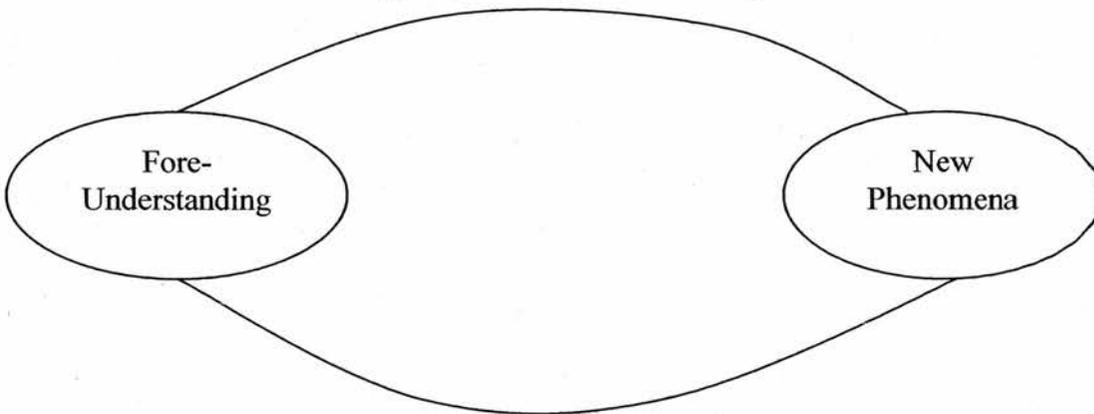
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<sup>3</sup> Giddens (1984) points out explicitly that his Structuration Theory is consistent with a hermeneutic 'position'.

Through hermeneutics, truth is sought, but this is not *knowledge* in the scientific sense. Rather, what is sought is an *understanding* of the social world. Although a variety of hermeneutic approaches to understanding may be taken, the intention of this chapter is not to explore these different approaches in detail. Rather, the particular ‘philosophical hermeneutics’ of Hans-Georg Gadamer will be outlined as a basis for approaching social science research. What follows is therefore not representative of all hermeneutic approaches, but of one in particular.

Key to Gadamer’s philosophical hermeneutics is the ontological framework of the hermeneutic circle. Tracing its origins to the protestant-catholic conflict of reformation times, the hermeneutic circle is based on the Lutheran idea that passages can only be understood with reference to the whole text, and vice versa. Little excerpts give the reader an idea of the whole. The reader iterates between excerpts to the whole repeatedly, tinkering until understanding is reached. Essentially, the ‘part’ and the ‘whole’ exist in a duality, much the same as the ‘agent’ and the ‘structure’, or the ‘subject’ and the ‘object’.

**Diagram 2. The hermeneutic interpretive circle.  
Fore-understanding and new experience interpenetrate each other**



“A person who is trying to understand a text is always projecting. He projects a meaning for the text as a whole as soon as some initial meaning emerges in the text. Again, the initial meaning emerges only because he is reading the text with particular expectation in regard to a certain meaning. Working out this fore-projection, which is constantly revised in terms of what emerges as he penetrates into the meaning, is understanding what is there” (Gadamer, 1989, pp.266-7).

Gadamer likens this process of textual interpretation to the way we live our lives and come to understand the world generally (Boland, 1989). In employing Heideggerian terms such as fore-projection and fore-understanding, Gadamer is attempting to rehabilitate the notion of prejudice. The enlightenment sought to rid man of prejudice in order to generate a presuppositionless reason

(Gadamer, 1989). However, Gadamer argues that prejudice is a necessary condition of understanding. Without some sort of fore-understanding, we could not begin to comprehend the world. Reason is employed in order to interrogate and transcend (where appropriate) prejudice and reach a new understanding.

Thus, contra Descartes, reason and prejudice do not stand in opposition, but go together. Gadamer (*et seq*) holds that we are all historical beings, shaped by our own *historicity*. This, he argues, is inevitable and should not be lamented as a constraint: “Does being situated within traditions really mean being subject to prejudices and limited in one’s freedom? Is not, rather, all human existence, even the freest, limited and qualified in various ways?” (Gadamer, 1989, p.276). If this is the case, then the shaping of us by our traditions - or the interplay between the agent and the structure (Giddens, 1984) – precludes the possibility of an absolute reason that is not constantly dependent on the circumstances within which it operates. Gadamer argues that, rather than vainly attempt to rid ourselves of our historical conditioning completely, we should be aware of how we are inevitably historically conditioned and subject to prejudice. It is this awareness that Gadamer suggests forms the basis of a hermeneutic understanding of the world:

“The overcoming of all prejudices, this global demand of the enlightenment, will itself prove to be a prejudice, and removing it opens the way to an appropriate understanding of the finitude which dominates not only our humanity but also our historical consciousness” (Gadamer, 1989, p.276)

Gadamer suggests that we must be aware of our prejudices, or subjectivity. He also points out that it is not always possible to be aware of how exactly we are conditioned. Prejudice may operate unnoticed. However, Gadamer (1989) describes how the way in which hermeneutics is applied can provoke our fore-understanding, leading to the recognition of prejudices at work and, eventually, the sorting out of the “true” prejudices from the “false” prejudices (Gadamer, 1989, pp.298-9).

### Application

Gadamer’s concern with the enlightenment is in how it has manifested itself in modern day scientific method. It is argued that since Galileo’s mathematical construction of motion, knowledge is the outcome of a specific type of research, self-certifying and actually distanced from practical thinking (see Gadamer, 1998). Gadamer (*et seq*) takes issue with this because science is unable to look at its own presuppositions. Moreover, science emerged as a means for dealing with the natural world which does not change, but the social sciences deal with what is changeable: morals and

politics. Nevertheless, scientific method has come to dominate the social sciences in spite of how inappropriate that dominion may be (Gadamer, *et seq* and see also, for example, Burrell and Morgan, 1979).

Gadamer rejects the idea of a universally valid knowledge. He even goes as far to say that no method, just a psychological sense of tact is necessary for social sciences (cf). However, Gadamer is not implying that anything goes. Rather, his concern with method is related to the way in which modernity has conceived of method as something that is self-certifying and unreflexive. Reaching understanding through philosophical hermeneutics does involve application (Weinsheimer, 1985), which gives structure to the process<sup>4</sup>.

Gadamer is concerned to reintroduce and legitimise “ancient ways of understanding and explaining the world” (Gadamer, 1998, p.29). Spoken communication is what holds society together and is the traditional way of passing on knowledge (Gadamer, 1998). Gadamer sees us as constituted by our language, without which we could not have thoughts or understand the world in the way that we do (see Gadamer, 1989, especially pp.443-475). This is held to the extent that “Being that can be understood is language” (Gadamer, 1989, p.475). It is this linguistic turn that sees the social sciences moving beyond a description as ‘inexact’ sciences to a status where they have some privilege which the natural sciences do not (Gadamer, 1998).<sup>5</sup>

All understanding occurs in the medium of language and it is through conversations, whether with texts or other interlocutors, that we come to an understanding:

“Thus it belongs to every true conversation that each person opens himself to the other, truly accepts his point of view as valid and transposes himself into the other to such an extent that he understands not the particular individual, but what he says. What is to be grasped is the substantive rightness of his opinion, so that we can be at one with each other on the subject.” (Gadamer, 1989, p.385)

This is Gadamer’s ideal reciprocal understanding which he calls a “fusion of horizons” (1989, p.378). However, understanding need not be considered a fully consensual experience.

<sup>4</sup> The translator’s introduction to *Truth and Method* notes that Gadamer is not formulating a method for the human sciences. Rather, Gadamer asks ‘how is understanding possible?’ This precludes any dispute over method. Gadamer is therefore concerned with the deeper epistemological problems of reaching understanding. How we specifically reach that understanding is, broadly, through conversation. Philosophical hermeneutics is therefore more of an ontological framework than a methodology.

<sup>5</sup> On this point, if we can retain the notion of objectivity for analytical purposes, Deetz (1996) notes that ‘interpretivists’ and others of a so called ‘subjective’ nature often have a better claim to objectivity in their allowance of alternative language games to be played out. Proponents of scientific method only allow one type of discourse to emerge.

Although understanding is reached through two parties (two interlocutors or an interlocutor and a text) the understanding reached by anyone of the parties may be different from the other: “Thus we do not relate the other’s opinion to him but to our own opinions and views” (Gadamer, 1989, p.385). Through conversation our own prejudices are provoked, interrogated, sorted, transcended, modified and added to. This is how understanding is reached.

Gadamer’s philosophical hermeneutics is rooted deeply in the interpretivist tradition. However, this paradigm should perhaps not be understood in the way that Burrell and Morgan (1979) present it, compartmentalised and mutually exclusive to other approaches. The rejection of the subjective-objective dualism that is set up in Burrell and Morgan (1979) is replaced by hermeneutics with a subjective-objective duality. Rather than a spectrum with subjective and objective approaches at polar opposites and more or less subjective or objective approaches in the middle, the two are considered by hermeneutics to be constantly defining and re-defining each other. This flux implies significantly more scope for hermeneutics to move around the typology than Burrell and Morgan (1979) allow. That is if there is scope for philosophical hermeneutics to sit within that typology as distinct from other approaches at all. Gadamer (1980) argues that hermeneutic consciousness is a necessary precondition for even functionalist work: “it is not so much the laws of ironclad inference that present fruitful ideas to him [the scientist], but rather unforeseen constellations that kindle the spark of scientific inspiration (for example, an incidental observation such as Newton’s falling apple)” (p.137, brackets original)

Hermeneutics implies that we filter everything through our historically conditioned selves. There is thus an unavoidable subjective element to understanding. However, this subjectivity is not something that exists independently of the world ‘out there’. The task for understanding a given phenomena is to experience it and enter into a conversation with or about it. In so doing, the researcher must interrogate his fore-understanding and add to it. The way in which this is done is highly dependent on the sensitivity, openness and thoroughness of the researcher. The researcher must be aware, as far as this is possible, of prior theorising and be open to new and potentially disembedding insights and explanations when interpreting research data.

Just as life is a constant process of interpretation and re-interpretation, the researcher must exhibit reflexivity in iterating between his fore-understanding and any conversations that he enters into. That fore-understanding may be wrong or, more likely given the purported necessity for research of a given phenomenon, underspecified. The initial fore-understanding must therefore be considered unstable and the ultimate aim of any research project should be to stabilise as far as possible the researcher's opinions and views of a given phenomenon. However, given the erratic and often latent nature of prejudice, the way in which the researcher has come to an understanding should be laid out transparently. This allows for further interrogation of the researcher's 'understanding' by both the researcher himself, and interested readers.

### **Fore-Understanding, Skeletal Theorising and Reflexivity**

Laughlin (1995) reformulates the Burrell and Morgan (1979) typology into three dimensions rather than two: theoretical (ontology and epistemology); methodology (human nature); and change (nature of society). Essentially, Laughlin (1995) separates Burrell and Morgan's (1979) conflation of ontology and epistemology with human nature. The result is three different dimensions which Laughlin (1995) suggests that researchers should position themselves within prior to undertaking a research study.

Laughlin (1995) himself uses his classification to argue for a middle position on each of the continuums. Laughlin (1995) has been criticised for using a model of his own construction to rhetorically found his justification for a middle ground theory (Lowe, 2004). However, this criticism arguably overlooks the more important first half of Laughlin's (1995) paper (Laughlin, 2004). Just as with Burrell and Morgan's (1979) typology, Laughlin (1995) shows that different ways of looking at the world are possible and that our understanding can only ever be partial and incomplete (Laughlin, 2004, p.264).

Gadamer too recognises that our understanding of the world can never be complete. Nevertheless, we strive to make it as full and robust as possible. Laughlin (1995) offers some guidance on how to do this. For example, he implies that researchers should be explicit about the partiality of their own methodological approaches. In particular, the existence of some prior theorising will allow the researcher to confront his own fore-understanding, which would otherwise remain implicit. Furthermore, the formation of "skeletal theories" (Laughlin, 1995, p.80) of empirical data that are

revised and fleshed out in accordance with real-life situations is entirely consistent with the constant interpretation and re-interpretation that is implied by the hermeneutic circle.

Dey (2002) notes that critical theory is essential for interrogating the narrative that emanates from a research study. Rejecting the possibility of neutrality, Dey (2002, p.12) suggests that the role of most critical accounting research is to expose the struggles and interests that underlie what appears to be a stable social reality. Theory is therefore necessary so as not to accept uncritically the articulations of subjects. However, Dey (2002) also highlights the tensions that exist between the use of critical theory as a deductive device and an interpretive approach to sense making.

Hermeneutics, with its emphasis on the duality of fore-understanding and new experience implies that such a tension is inevitable. However, there is a danger of making instrumental interpretations that simply fit with prior theory. A balance must therefore be found in the interplay between deduction and induction. Arguably Laughlin (1995) places too much emphasis on prior theorisation. Dey (2002) argues for the introduction of critical theory primarily subsequent to fieldwork, with the researcher entering into a critical dialogue with the empirical data at the write-up stage.

Nevertheless, some level of prior theorising can frame a research project so that theoretically relevant areas are targeted whilst allowing considerable scope for new insights to emerge. Indeed, Laughlin (1995) implies that the skeletal theorising, or fore-understanding of a research project is, itself, always subject to change in light of real-life situations. The level of prior theorising will depend on the sophistication and extent of the researcher's fore-understanding of a given phenomenon. However, that prior theorising will be transcended in the process of reaching understanding, so it should only ever be skeletal. Moreover, to further re-enforce the point that philosophical hermeneutics is difficult to position within only one paradigm, the researcher may employ theories that give more emphasis to (say) structure or agency depending on how those theories cohere with reported experience of the world. The process of interpretation is one that is open to various explanations.

### Reflexivity

Iterations between the part and the whole, and the theory and the data require self-reflection (or reflexivity) on the part of the researcher. Johnson and Duberley (2003) suggest that since Burrell and Morgan (1979) first made researchers sensitive to their own theoretical assumptions, the idea of the reflexive researcher is now put forward by many as essential. Willmott (1993), in critiquing

Burrell and Morgan's (1979) typology, argues that theoretical paradigms are fluid, open systems. Willmott (1993) argues that theoretical diffusion is necessary for creative theoretical development. This demands that the researcher reflexively seek out and wrestle with the anomalies inherent to any paradigm of thought. Reflexivity itself may be understood as the "interpretation of interpretation" (Alvesson and Sköldberg, 2000, p.6), the researcher reflecting on his own interpretations. Alvesson and Sköldberg (2000) suggest that the researcher should be engaged in four reflexive areas, each from different theoretical positions: empirics, hermeneutics, critical theory and post-structuralism.

The focus on empirics manifests itself in systematic techniques in research procedures. In other words, the way in which the researcher interacts with and processes the data. Hermeneutics manifests itself by attaching primacy to interpretation. Alvesson and Sköldberg (2000) maintain that research is fundamentally interpretation and so theory and other forms of pre(ore)-understanding must be reflected upon. The role of critical theory is in highlighting the political-ideological nature of research. Alvesson and Sköldberg (2000) suggest that the researcher always favours, challenges and reproduces different social interests and that awareness of such bias is desirable. Finally, post-structuralism/modernism is used to reflect upon representation and authority. Alvesson and Sköldberg (2000) note that from a post-structuralist/modernist point of view, texts (research) exist in their own right, independent of the researcher and the researched. The ability to represent 'reality' should, it is argued by Alvesson and Sköldberg (2000), be called into question.

Alvesson and Sköldberg (2000) draw elements from each of these seemingly irreconcilable theoretical positions in order to introduce reflexivity into research. The focus on interpretation means that reflexivity is an essentially hermeneutic process. Hermeneutics runs from beginning to end. This firstly allows for reflexivity at the data collection and processing stages. Hermeneutics also classifies research itself as interpretation, only thanks to critical theory, a political-ideological interpretation. Further to this suspicion, the possibility is recognised that even a politically aware text may be unintentionally guided by free-floating discourses. In mixing elements from each of these different theoretical traditions, and tying them all together with hermeneutics, Alvesson and Sköldberg (2000) are attempting to "pragmatise the philosophy of science; or, intellectualise rigorous qualitative method" (p.vii). They suggest that:

"good qualitative research...should build upon a general awareness and a systematic, explicit treatment of the above mentioned positions and the problems, as well as the possibilities, which they indicate" (Alvesson and Sköldberg, 2000, p.9)

Alvesson and Sköldberg's (2000) work has parallels with Llewellyn (1993) who seeks to converge the interpretative and empirical traditions in management accounting research. Llewellyn (1993) argues that the subjective-objective duality posed by hermeneutics does not suffer the same restrictions as other interpretive approaches which limit research to the understanding of the subjective realm of experience of the actors. For example, in grounded theory Alvesson and Sköldberg (2000) note that the text is taken passively. This can be contrasted with a hermeneutic approach where questions are asked of the text and it is listened to, in dialogic form (Alvesson and Sköldberg, 2000). Llewellyn (2003) suggests that the text or the action may transcend its initial encompassment and develop meanings in other contexts. Thus, "researchers can legitimately offer accounts of events which either differ from or transcend the understandings of the agents themselves" (p.239). This view is echoed by Alvesson and Sköldberg (2000) who suggest that with empathy and a broader or different stock of knowledge, the interpreter can "understand the agents better than the agents understand themselves" (p.54).

Johnson and Duberley (2003) suggest that reflexivity in research inevitably articulates epistemological circularity. However, Johnson and Duberley (2003) also argue that we cannot detach ourselves completely from our meta-theoretical commitments in order to reflexively assess them: "indeed, we would depend on them in order to undertake that task" (p.1281). Llewellyn (1993) too recognises that the hermeneutic circle inevitably makes research self-referential. However, Llewellyn (2003) also suggests that researchers can energise the circle in order to make sure that it does not become a "vicious circle" (p.239, following Ricoeur, 1981). The researcher, Llewellyn (1993) maintains, should iterate between their pre-understandings and the 'first order constructs' of the researched. "That these have commonalities make the research possible; that they have divergences should make the research fruitful" (Llewellyn, 1993, p.239). In order to ensure that an interpretation is not made instrumentally purely from fore-understanding, the researcher must be aware that his fore-understanding is probably underspecified and needs to be energised and exposed as such by the research findings if understanding is to be reached. Therefore, Llewellyn (1993) suggests that researchers can become aware of the "concepts and ideas which guide their thinking and of their inherent emancipatory and/or constraining qualities" (p.239). Essentially, understanding is reached through a process of projection and modification in which the frames of reference of both the researcher and the researched are synthesised.<sup>6</sup> Of course, this does not

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<sup>6</sup> Johnson and Duberley (2003) too suggest that understanding can be reached through fusing the views of the researcher with those of the researched. They outline a democratic, participatory approach in which the researcher facilitates "members' ability to comprehend themselves and their problems in new ways" (Johnson and Duberley, p.1292). This approach seems to draw the research closer to a Gadamerian fusion of horizons which this thesis is trying to keep a critical distance from (see above and also Chapter 6).

involve standing outside of the ontological commitment of the hermeneutic circle. Indeed, a hermeneutic position would preclude this possibility, maintaining that all understanding is essentially hermeneutic in nature.<sup>7</sup>

### **Summary**

This chapter has sought to elucidate the methodological leanings of the researcher. The way in which these leanings impact on the research methods is explicated in chapters 5, 6 and 7. The chapter started with Burrell and Morgan's (1979) typology of different methodological approaches to social science research. This typology was used in order to elucidate the theoretical assumptions that are taken on by researchers. However, Burrell and Morgan's (1979) typology was also criticised for its acceptance of a subjective-objective *dualism* that encouraged compartmentalisation of research approaches. A hermeneutic framework was introduced which replaced the dualism with a subjective-objective *duality*. This duality, or hermeneutic circle, implies that research is essentially "open" (Llewellyn, 1993, p.238) in nature. Thus, although hermeneutics is clearly inconsistent with extreme objectivist and extreme subjectivist approaches, the extent to which the subjective or the objective dominates is not fixed. As far as Burrell and Morgan's (1979) typology serves as a useful heuristic, hermeneutics may therefore be properly thought of as relevant to each of the four paradigms outlined in the typology.

The process of interpretation between the subjective and the objective, just like the interplay between the understanding of the part and the whole, is both reflexive and iterative. This offers the possibility of elucidating prior theorising so that its influence on the research project can be understood and, eventually, transcended. Furthermore, this approach recognises the role for the "skeletal theorising" (Laughlin, 1995) of research data. These skeletal theories can be fleshed out and revised in light of real-life situations. This describes an essentially hermeneutic process of synthesising fore-understanding with new experience. This synthesis provides understanding. Finally, the need for reflexivity in research was outlined as a means of ensuring the rigour and reliability of interpretations. What these methodological issues imply for constructing a research project in SER, and how they actually feed through into that project, will now be described in more detail.

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<sup>7</sup> "no one...can stand outside their own epistemological and ontological commitments" (Johnson and Duberley, 2003, p.1294).

## Appendix 2

### Motivations and Audiences Matrices

#### Motivations Matrix 1

| Motivation/<br>Interviewee | Engender<br>Trust | To be<br>transparent | Strategy<br>fit | Skills<br>improvement | Risk<br>Mgt. | Reputation | Regulation<br>compliance | Influenc<br>Regulato |
|----------------------------|-------------------|----------------------|-----------------|-----------------------|--------------|------------|--------------------------|----------------------|
| EM1                        | x                 | x                    |                 | x                     | x            | x          | x                        | x                    |
| EM2                        |                   |                      |                 |                       |              |            |                          |                      |
| EM3                        |                   |                      |                 |                       | x            |            |                          |                      |
| CSRM1                      |                   |                      |                 |                       |              |            |                          |                      |
| CSRM2                      | x                 | x                    |                 | x                     | x            |            |                          |                      |
| CSRM3                      |                   |                      | x               |                       | x            |            | x                        |                      |
| CSRM4                      |                   | x                    |                 |                       | x            | x          |                          |                      |
| CSRM5                      |                   |                      |                 |                       |              | x          | x                        |                      |
| CSRM6                      |                   |                      |                 |                       | x            |            |                          |                      |
| CSRM7                      |                   | x                    |                 |                       |              | x          |                          |                      |
| CSRM8                      |                   |                      | x               | x                     |              | x          |                          |                      |
| CSRM9                      | x                 |                      | x               |                       |              | x          |                          |                      |
| CSRM10                     |                   |                      |                 |                       |              |            |                          |                      |
| CSRM11                     |                   |                      | x               |                       | x            |            |                          |                      |
| SDM1                       |                   |                      | x               |                       |              | x          | x                        |                      |
| SDM2                       |                   |                      |                 |                       | x            | x          |                          |                      |
| SDM3                       |                   |                      |                 |                       | x            | x          | x                        |                      |
| PA1                        |                   |                      | x               |                       |              |            |                          |                      |
| CM1                        |                   |                      |                 |                       |              | x          |                          |                      |
| BPM1                       |                   |                      | x               |                       |              | x          |                          |                      |
| SDD1                       |                   |                      | x               |                       |              | x          |                          |                      |
| PIAD1                      |                   |                      |                 |                       |              | x          |                          |                      |
| EED1                       |                   |                      |                 | x                     |              | x          | x                        |                      |
| MktD1                      |                   |                      |                 |                       | x            | x          |                          |                      |
| HRD1                       |                   |                      |                 |                       |              |            |                          |                      |
| <b>Total</b>               | <b>3</b>          | <b>4</b>             | <b>8</b>        | <b>4</b>              | <b>10</b>    | <b>15</b>  | <b>6</b>                 | <b>1</b>             |
|                            |                   |                      |                 |                       |              |            |                          |                      |
|                            |                   |                      |                 |                       |              |            |                          |                      |
|                            |                   |                      |                 |                       |              |            |                          |                      |

**Motivations Matrix 2**

| <b>Motivation/<br/>Interviewee</b> | <b>Pr-<br/>Stkhldrs</b> | <b>Pr-<br/>NGOs</b> | <b>Pr-<br/>Regulator</b> | <b>Pr-<br/>Market</b> | <b>Pr-<br/>Govt</b> | <b>Pr<br/>-General</b> | <b>Pr -<br/>Employees</b> | <b>Pr-<br/>Comm</b> | <b>Pr-<br/>Peer</b> |
|------------------------------------|-------------------------|---------------------|--------------------------|-----------------------|---------------------|------------------------|---------------------------|---------------------|---------------------|
| <b>EM1</b>                         |                         | x                   |                          |                       | x                   | x                      |                           |                     | x                   |
| <b>EM2</b>                         |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>EM3</b>                         |                         |                     |                          | x                     | x                   |                        |                           |                     |                     |
| <b>CSRM1</b>                       |                         |                     |                          |                       |                     | x                      |                           |                     |                     |
| <b>CSRM2</b>                       | x                       |                     |                          |                       | x                   |                        |                           |                     |                     |
| <b>CSRM3</b>                       |                         |                     |                          |                       |                     | x                      |                           |                     |                     |
| <b>CSRM4</b>                       | x                       | x                   |                          | x                     | x                   | x                      | x                         | x                   | x                   |
| <b>CSRM5</b>                       |                         |                     |                          | x                     |                     |                        |                           |                     | x                   |
| <b>CSRM6</b>                       |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>CSRM7</b>                       |                         | x                   |                          |                       | x                   |                        |                           |                     | x                   |
| <b>CSRM8</b>                       |                         |                     |                          |                       |                     | x                      |                           |                     | x                   |
| <b>CSRM9</b>                       |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>CSRM10</b>                      |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>CSRM11</b>                      | x                       |                     | x                        | x                     | x                   |                        |                           |                     | x                   |
| <b>SDM1</b>                        |                         |                     |                          | x                     |                     |                        |                           |                     |                     |
| <b>SDM2</b>                        |                         | x                   |                          |                       | x                   |                        |                           |                     |                     |
| <b>SDM3</b>                        |                         | x                   |                          | x                     | x                   | x                      |                           |                     | x                   |
| <b>PA1</b>                         | x                       |                     |                          |                       | x                   |                        |                           |                     |                     |
| <b>CM1</b>                         |                         |                     |                          |                       |                     | x                      |                           |                     |                     |
| <b>BPM1</b>                        |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>SDD1</b>                        |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>PIAD1</b>                       |                         |                     |                          |                       | x                   |                        |                           |                     | x                   |
| <b>EED1</b>                        |                         |                     |                          |                       |                     |                        |                           |                     | x                   |
| <b>MktD1</b>                       |                         | x                   |                          | x                     |                     | x                      |                           |                     |                     |
| <b>HRD1</b>                        |                         |                     |                          |                       |                     |                        |                           |                     |                     |
| <b>Total</b>                       | <b>4</b>                | <b>6</b>            | <b>1</b>                 | <b>7</b>              | <b>10</b>           | <b>8</b>               | <b>1</b>                  | <b>1</b>            | <b>9</b>            |

**Motivations Matrix 3**

| <b>Motivation/<br/>Interviewee</b> | <b>Planning<br/>Permission</b> | <b>Changing<br/>Perceptio<br/>ns</b> | <b>Improve<br/>Morale</b> | <b>Socio-<br/>Environ</b> | <b>Share<br/>Inclusion</b> | <b>Improved<br/>Relations with<br/>Stakeholders</b> | <b>Staff<br/>Quality</b> |
|------------------------------------|--------------------------------|--------------------------------------|---------------------------|---------------------------|----------------------------|---|--------------------------|
| <b>EM1</b>                         |                                |                                      | x                         |                           |                            |   | x                        |
| <b>EM2</b>                         |                                |                                      |                           | x                         | x                          |   |                          |
| <b>EM3</b>                         |                                |                                      |                           |                           | x                          |   |                          |
| <b>CSRM1</b>                       |                                |                                      |                           | x                         |                            |   |                          |
| <b>CSRM2</b>                       |                                | x                                    | x                         | x                         |                            | x   |                          |
| <b>CSRM3</b>                       | x                              |                                      |                           | x                         | x                          | x   |                          |
| <b>CSRM4</b>                       |                                |                                      | x                         |                           | x                          |   |                          |
| <b>CSRM5</b>                       |                                |                                      |                           |                           |                            |   |                          |
| <b>CSRM6</b>                       |                                |                                      |                           | x                         |                            | x   |                          |
| <b>CSRM7</b>                       |                                | x                                    |                           | x                         |                            |   |                          |
| <b>CSRM8</b>                       |                                |                                      |                           |                           |                            |   |                          |
| <b>CSRM9</b>                       |                                |                                      | x                         |                           |                            | x   |                          |
| <b>CSRM10</b>                      |                                |                                      |                           |                           |                            |   |                          |
| <b>CSRM11</b>                      |                                | x                                    |                           | x                         |                            |   | x                        |
| <b>SDM1</b>                        |                                | x                                    |                           | x                         |                            |   |                          |
| <b>SDM2</b>                        |                                |                                      |                           |                           |                            |   | x                        |
| <b>SDM3</b>                        |                                |                                      |                           | x                         |                            |   |                          |
| <b>PA1</b>                         |                                |                                      |                           |                           |                            | x   |                          |
| <b>CM1</b>                         | x                              |                                      |                           |                           | x                          | x   |                          |
| <b>BPM1</b>                        |                                |                                      |                           | x                         |                            |   |                          |
| <b>SDD1</b>                        |                                |                                      |                           |                           | x                          |   |                          |
| <b>PIAD1</b>                       |                                |                                      |                           | x                         | x                          |   |                          |
| <b>EED1</b>                        |                                |                                      | x                         |                           |                            |   | x                        |
| <b>MktD1</b>                       |                                | x                                    |                           |                           | x                          | x   | x                        |
| <b>HRD1</b>                        |                                |                                      |                           |                           |                            |   |                          |
| <b>Total</b>                       | <b>2</b>                       | <b>5</b>                             | <b>5</b>                  | <b>11</b>                 | <b>8</b>                   | <b>7</b>  | <b>5</b>                 |

**Motivations Matrix 4**

| <b>Motivation/<br/>Interviewee</b> | <b>Manage<br/>Impacts</b> | <b>Differenti-<br/>ation</b> | <b>Customer<br/>Focus</b> | <b>Cost<br/>Reduce</b> | <b>CEO</b> | <b>Board</b> | <b>Best<br/>Practice</b> | <b>Benchm-<br/>arking</b> |
|------------------------------------|---------------------------|------------------------------|---------------------------|------------------------|------------|--------------|--------------------------|---------------------------|
| EM1                                | X                         | x                            |                           |                        |            |              |                          |                           |
| EM2                                | X                         |                              |                           |                        |            |              |                          |                           |
| EM3-                               |                           | x                            |                           |                        |            |              |                          |                           |
| CSRM1                              | X                         |                              |                           |                        |            |              |                          |                           |
| CSRM2                              | X                         |                              | x                         |                        |            | x            |                          |                           |
| CSRM3                              |                           |                              |                           |                        |            | x            |                          |                           |
| CSRM4                              |                           |                              | x                         |                        |            | x            | x                        |                           |
| CSRM5                              |                           | x                            | x                         |                        |            |              |                          |                           |
| CSRM6                              |                           | x                            |                           |                        | x          |              |                          |                           |
| CSRM7                              |                           |                              |                           | x                      |            | x            |                          |                           |
| CSRM8                              | x                         |                              |                           |                        |            |              |                          |                           |
| CSRM9                              |                           |                              | x                         |                        |            |              |                          |                           |
| CSRM10                             |                           |                              |                           |                        |            |              |                          |                           |
| CSRM11                             |                           |                              |                           |                        |            |              |                          |                           |
| SDM1                               |                           |                              |                           | x                      |            |              |                          |                           |
| SDM2                               |                           |                              | x                         | x                      | x          |              | x                        |                           |
| SDM3                               |                           |                              |                           | x                      |            | x            |                          |                           |
| PA1                                |                           | x                            |                           |                        | x          |              |                          | x                         |
| CM1                                | x                         |                              | x                         | x                      |            |              |                          |                           |
| BPM1                               |                           |                              |                           | x                      |            |              |                          |                           |
| SDD1                               |                           | x                            |                           | x                      |            |              |                          |                           |
| PIAD1                              |                           |                              |                           |                        |            |              |                          |                           |
| EED1                               |                           |                              | x                         | x                      |            |              |                          |                           |
| MktD1                              |                           |                              |                           |                        |            |              |                          |                           |
| HRD1                               |                           |                              |                           |                        |            |              |                          |                           |
| <b>Total</b>                       | <b>6</b>                  | <b>6</b>                     | <b>7</b>                  | <b>8</b>               | <b>3</b>   | <b>5</b>     | <b>2</b>                 | <b>1</b>                  |

**Motivations Matrix 5**

| <b>Motivation/<br/>Interviewee</b> | <b>Business<br/>Case -<br/>Social</b> | <b>Business<br/>Case -<br/>Safety</b> | <b>Business<br/>Case -<br/>General</b> | <b>Business<br/>Case -<br/>Env</b> |  |  |  |
|------------------------------------|---------------------------------------|---------------------------------------|--|------------------------------------|--|--|--|
| <b>EM1</b>                         | x                                     | x                                     | x                                      |                                    |  |  |  |
| <b>EM2</b>                         |                                       |                                       | x                                      |                                    |  |  |  |
| <b>EM3</b>                         |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM1</b>                       |                                       | x                                     | x                                      |                                    |  |  |  |
| <b>CSRM2</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM3</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM4</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM5</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM6</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>CSRM7</b>                       |                                       | x                                     | x                                      |                                    |  |  |  |
| <b>CSRM8</b>                       | x                                     |                                       | x                                      | x                                  |  |  |  |
| <b>CSRM9</b>                       |                                       |                                       |  |                                    |  |  |  |
| <b>CSRM10</b>                      |                                       |                                       |  |                                    |  |  |  |
| <b>CSRM11</b>                      |                                       |                                       | x                                      |                                    |  |  |  |
| <b>SDM1</b>                        |                                       |                                       |  | x                                  |  |  |  |
| <b>SDM2</b>                        |                                       |                                       | x                                      |                                    |  |  |  |
| <b>SDM3</b>                        |                                       | x                                     | x                                      |                                    |  |  |  |
| <b>PA1</b>                         | x                                     |                                       | x                                      |                                    |  |  |  |
| <b>CM1</b>                         | x                                     |                                       |  | x                                  |  |  |  |
| <b>BPM1</b>                        |                                       |                                       | x                                      |                                    |  |  |  |
| <b>SDD1</b>                        | x                                     |                                       | x                                      |                                    |  |  |  |
| <b>PIAD1</b>                       |                                       |                                       |  |                                    |  |  |  |
| <b>EED1</b>                        |                                       |                                       | x                                      |                                    |  |  |  |
| <b>MktD1</b>                       |                                       |                                       | x                                      |                                    |  |  |  |
| <b>HRD1</b>                        |                                       |                                       |  |                                    |  |  |  |
| <b>Total</b>                       | <b>5</b>                              | <b>4</b>                              | <b>19</b>                              | <b>3</b>                           |  |  |  |

**Audience Matrix 1**

| <b>Audience/<br/>Interviewee</b> | <b>Investors</b> | <b>Internal</b> | <b>NGOs</b> | <b>Govt.</b> | <b>Custo-<br/>mers</b> | <b>Peer</b> | <b>Commu-<br/>nities</b> | <b>Regulator</b> |
|----------------------------------|------------------|-----------------|-------------|--------------|------------------------|-------------|--------------------------|------------------|
| <b>EM1</b>                       | x                | x               |             |              |                        |             |                          |                  |
| <b>EM2</b>                       | x                |                 | x           | x            |                        |             |                          | x                |
| <b>EM3</b>                       | x                | x               |             | x            | x                      | x           |                          |                  |
| <b>CSRM1</b>                     | x                | x               | x           | x            |                        |             |                          |                  |
| <b>CSRM2</b>                     |                  | x               | x           | x            |                        |             |                          | x                |
| <b>CSRM3</b>                     | x                | x               | x           | x            |                        | x           |                          | x                |
| <b>CSRM4</b>                     | x                | x               | x           |              | x                      |             |                          |                  |
| <b>CSRM5</b>                     |                  |                 |             |              | x                      |             |                          |                  |
| <b>CSRM6</b>                     | x                | x               | x           | x            |                        |             | x                        |                  |
| <b>CSRM7</b>                     |                  | x               |             | x            | x                      |             | x                        |                  |
| <b>CSRM8</b>                     | x                | x               | x           | x            | x                      |             | x                        | x                |
| <b>CSRM9</b>                     | x                | x               | x           | x            |                        | x           |                          |                  |
| <b>CSRM11</b>                    | x                | x               |             |              |                        |             | x                        |                  |
| <b>SDM1</b>                      | x                | x               | x           | x            | x                      | x           | x                        | x                |
| <b>SDM2</b>                      |                  | x               | x           | x            | x                      | x           |                          |                  |
| <b>SDM3</b>                      | x                | x               | x           | x            |                        | x           | x                        |                  |
| <b>PA1</b>                       | x                |                 | x           |              |                        |             | x                        |                  |
| <b>CM1</b>                       | x                |                 |             |              | x                      |             |                          |                  |
| <b>BPM1</b>                      | x                |                 |             |              |                        |             |                          |                  |
| <b>SDD1</b>                      | x                | x               | x           | x            |                        | x           |                          |                  |
| <b>PIAD1</b>                     | x                | x               | x           |              |                        |             |                          |                  |
| <b>EED1</b>                      | x                | x               |             |              | x                      |             |                          |                  |
| <b>MktD1</b>                     | x                | x               | x           |              | x                      |             |                          |                  |
| <b>Total</b>                     | <b>19</b>        | <b>18</b>       | <b>15</b>   | <b>13</b>    | <b>10</b>              | <b>7</b>    | <b>7</b>                 | <b>5</b>         |

**Audience Matrix 2**

| <b>Audience/<br/>Interviewee</b> | <b>Suppliers</b> | <b>Local<br/>Authorit<br/>ies</b> | <b>Univer<br/>-sities</b> | <b>Public</b> | <b>Media</b> | <b>Credit<br/>ors</b> | <b>Recruit<br/>ment</b> |  |  |
|----------------------------------|------------------|-----------------------------------|---------------------------|---------------|--------------|-----------------------|-------------------------|--|--|
| <b>EM1</b>                       |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>EM2</b>                       |                  | x                                 | x                         | x             |              |                       |                         |  |  |
| <b>EM3</b>                       | x                | x                                 | x                         |               |              |                       |                         |  |  |
| <b>CSRM1</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM2</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM3</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM4</b>                     | x                |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM5</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM6</b>                     | x                |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM7</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>CSRM8</b>                     |                  | x                                 |                           | x             |              |                       |                         |  |  |
| <b>CSRM9</b>                     |                  |                                   |                           |               | x            |                       |                         |  |  |
| <b>CSRM11</b>                    |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>SDM1</b>                      |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>SDM2</b>                      |                  |                                   |                           |               | x            |                       |                         |  |  |
| <b>SDM3</b>                      |                  |                                   |                           |               |              |                       | x                       |  |  |
| <b>PA1</b>                       |                  | x                                 |                           |               |              |                       |                         |  |  |
| <b>CM1</b>                       | x                | x                                 |                           | x             |              | x                     |                         |  |  |
| <b>BPM1</b>                      |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>SDD1</b>                      |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>PIAD1</b>                     | x                |                                   | x                         |               |              |                       |                         |  |  |
| <b>EED1</b>                      |                  |                                   | x                         |               |              |                       |                         |  |  |
| <b>MktD1</b>                     |                  |                                   |                           |               |              |                       |                         |  |  |
| <b>Total</b>                     | <b>5</b>         | <b>5</b>                          | <b>4</b>                  | <b>3</b>      | <b>2</b>     | <b>1</b>              | <b>1</b>                |  |  |

**Motivations Summary – By Job Type**

| Motivation/<br>Interviewee | Socio-<br>Environmental | Business<br>Efficiency | Financial<br>Market<br>Related | Reputat<br>ion Risk<br>Mgt | Stakehold<br>er Mgt | Custome<br>r | Staff    | Regulato<br>r | Peer<br>Pressur<br>e | Internal<br>Champion |
|----------------------------|-------------------------|------------------------|--------------------------------|----------------------------|---------------------|--------------|----------|---------------|----------------------|----------------------|
| EM1                        |                         | X                      | X                              | X                          | X                   |              | X        | X             | X                    |                      |
| EM2                        | X                       | X                      | X                              |                            |                     |              |          |               |                      |                      |
| EM3                        |                         |                        | X                              | X                          | X                   |              |          |               |                      |                      |
| CSRM1                      | X                       | X                      |                                |                            | X                   |              |          |               |                      |                      |
| CSRM2                      | X                       | X                      |                                | X                          | X                   | X            | X        |               |                      | X                    |
| CSRM3                      | X                       |                        |                                | X                          | X                   |              |          | X             |                      | X                    |
| CSRM4                      |                         |                        | X                              | X                          | X                   | X            | X        |               | X                    | X                    |
| CSRM5                      |                         |                        | X                              | X                          |                     | X            |          | X             | X                    |                      |
| CSRM6                      | X                       |                        | X                              | X                          | X                   |              |          |               |                      | X                    |
| CSRM7                      | X                       | X                      |                                | X                          | X                   |              |          |               | X                    | X                    |
| CSRM8                      |                         | X                      |                                | X                          | X                   |              |          |               | X                    |                      |
| CSRM9                      |                         |                        |                                | X                          |                     | X            | X        |               |                      |                      |
| CSRM11                     | X                       |                        | X                              | X                          | X                   |              | X        | X             | X                    |                      |
| SDM1                       | X                       | X                      | X                              | X                          | X                   |              |          | X             |                      |                      |
| SDM2                       |                         | X                      |                                | X                          | X                   | X            | X        |               | X                    | X                    |
| SDM3                       | X                       | X                      | X                              | X                          | X                   |              |          | X             | X                    | X                    |
| PA1                        |                         |                        | X                              |                            | X                   |              |          |               |                      | X                    |
| CM1                        |                         | X                      |                                | X                          | X                   | X            |          |               |                      |                      |
| BPM1                       | X                       |                        |                                | X                          |                     |              |          |               |                      |                      |
| SDD1                       |                         |                        | X                              | X                          |                     |              |          |               |                      |                      |
| PIAD1                      | X                       |                        |                                | X                          | X                   |              |          |               | X                    |                      |
| EED1                       |                         |                        |                                | X                          |                     | X            | X        | X             | X                    |                      |
| MktD1                      |                         |                        | X                              | X                          | X                   |              | X        |               |                      |                      |
| <b>Total</b>               | <b>11</b>               | <b>10</b>              | <b>11</b>                      | <b>20</b>                  | <b>17</b>           | <b>7</b>     | <b>8</b> | <b>7</b>      | <b>10</b>            | <b>8</b>             |

**Motivations Summary – By Industry**

| Industry               | Motivation/<br>Interviewee | Socio-<br>Environmental | Business<br>Efficiency | Financial<br>Market<br>Related | Reputation<br>Risk Mgt | Stakeholder<br>Mgt | Peer Pressure | Internal<br>Champion |
|------------------------|----------------------------|-------------------------|------------------------|--------------------------------|------------------------|--------------------|---------------|----------------------|
| Aggregates             | EM1                        |                         | X                      | X                              | X                      | X                  | X             |                      |
| Construction           | EED1                       |                         |                        |                                | X                      | X                  | X             |                      |
| Construction           | EM3                        |                         |                        | X                              | X                      | X                  |               |                      |
| Property               | CM1                        |                         | X                      |                                | X                      | X                  |               |                      |
| Mining                 | SDM3                       | X                       | X                      | X                              | X                      | X                  | X             | X                    |
| Energy                 | CSRM2                      | X                       | X                      |                                | X                      | X                  |               | X                    |
| Energy                 | CSRM5                      |                         |                        | X                              | X                      | X                  | X             |                      |
| Energy                 | CSRM3                      | X                       |                        |                                | X                      | X                  |               | X                    |
| Oil and Gas            | CSRM6                      | X                       |                        | X                              | X                      | X                  |               | X                    |
| Oil and Gas            | CSRM1                      | X                       | X                      |                                |                        | X                  |               |                      |
| Water                  | SDD1                       |                         |                        | X                              | X                      |                    |               |                      |
| Water                  | SDM1                       | X                       | X                      | X                              | X                      | X                  |               |                      |
| Water                  | CSRM8                      |                         | X                      |                                | X                      | X                  | X             |                      |
| Water                  | EM2                        | X                       | X                      | X                              |                        |                    |               |                      |
| Specialty<br>Chemicals | CSRM11                     | X                       |                        | X                              | X                      | X                  | X             |                      |
| Building<br>Society    | SDM2                       |                         | X                      |                                | X                      | X                  | X             | X                    |
| Insurance              | CSRM                       |                         |                        | X                              | X                      | X                  | X             | X                    |
| Aviation               | PA1                        |                         |                        | X                              |                        | X                  |               | X                    |
| Directories            | BPM1                       | X                       | X                      |                                | X                      |                    |               |                      |
| Pharmaceut<br>icals    | MktD1                      |                         |                        | X                              | X                      | X                  |               |                      |
| Publishing             | PIAD1                      | X                       |                        |                                | X                      | X                  | X             |                      |
| Logistics              | CSRM7                      | X                       | X                      |                                | X                      | X                  | X             | X                    |
| Mobile<br>Phones       | CSRM9                      |                         |                        |                                | X                      | X                  |               |                      |
|                        | Total                      | 11                      | 10                     | 11                             | 20                     | 20                 | 10            | 8                    |

## Appendix 2: Motivations and Audiences Matrices

EM = Environment Manager

CSR = Corporate Social Responsibility/Corporate Responsibility Manager

SDM = Sustainable Development Manager

PA = Public Affairs Manager

CM = Communications Manager

BPM = Business Policy Manager

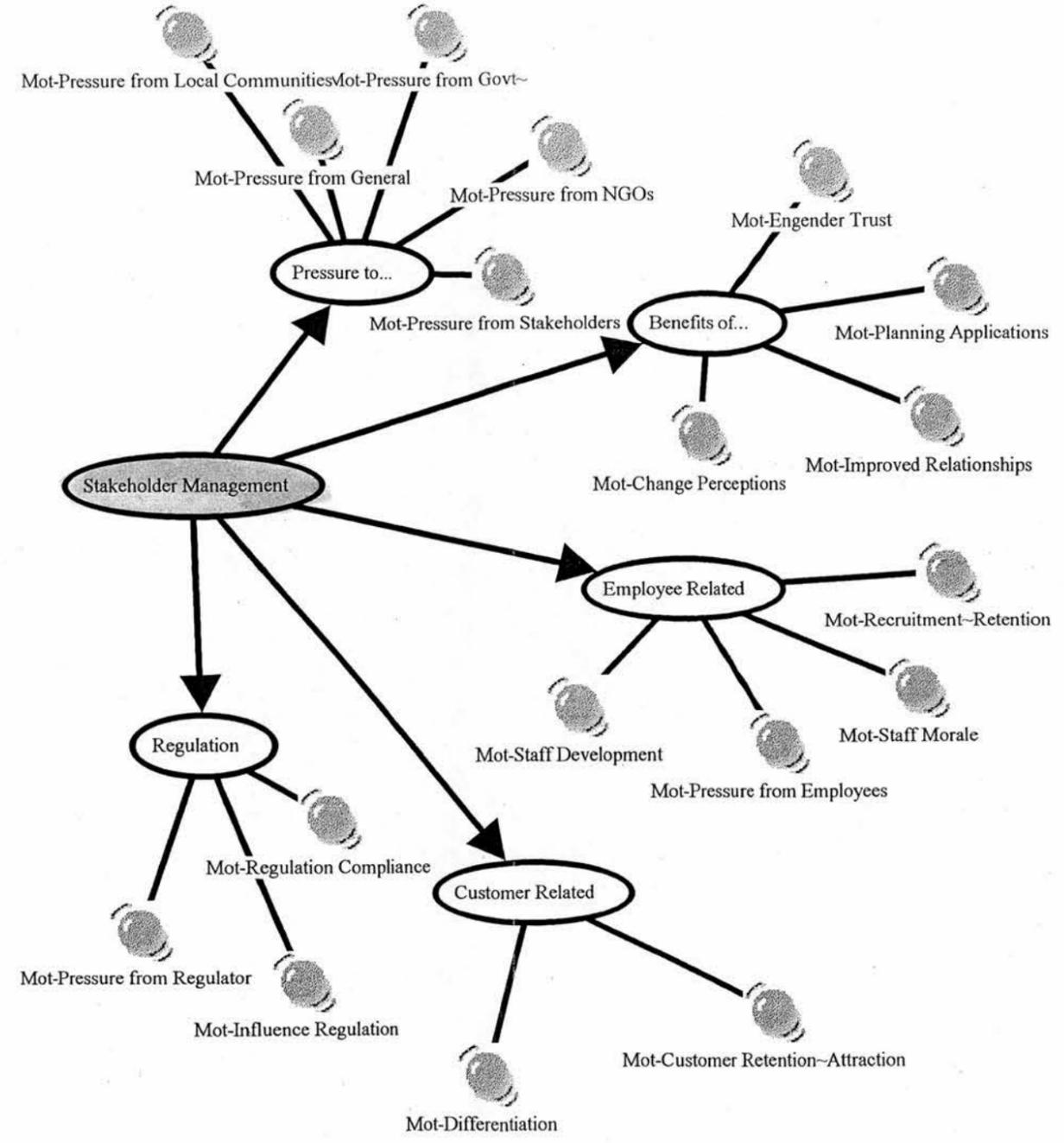
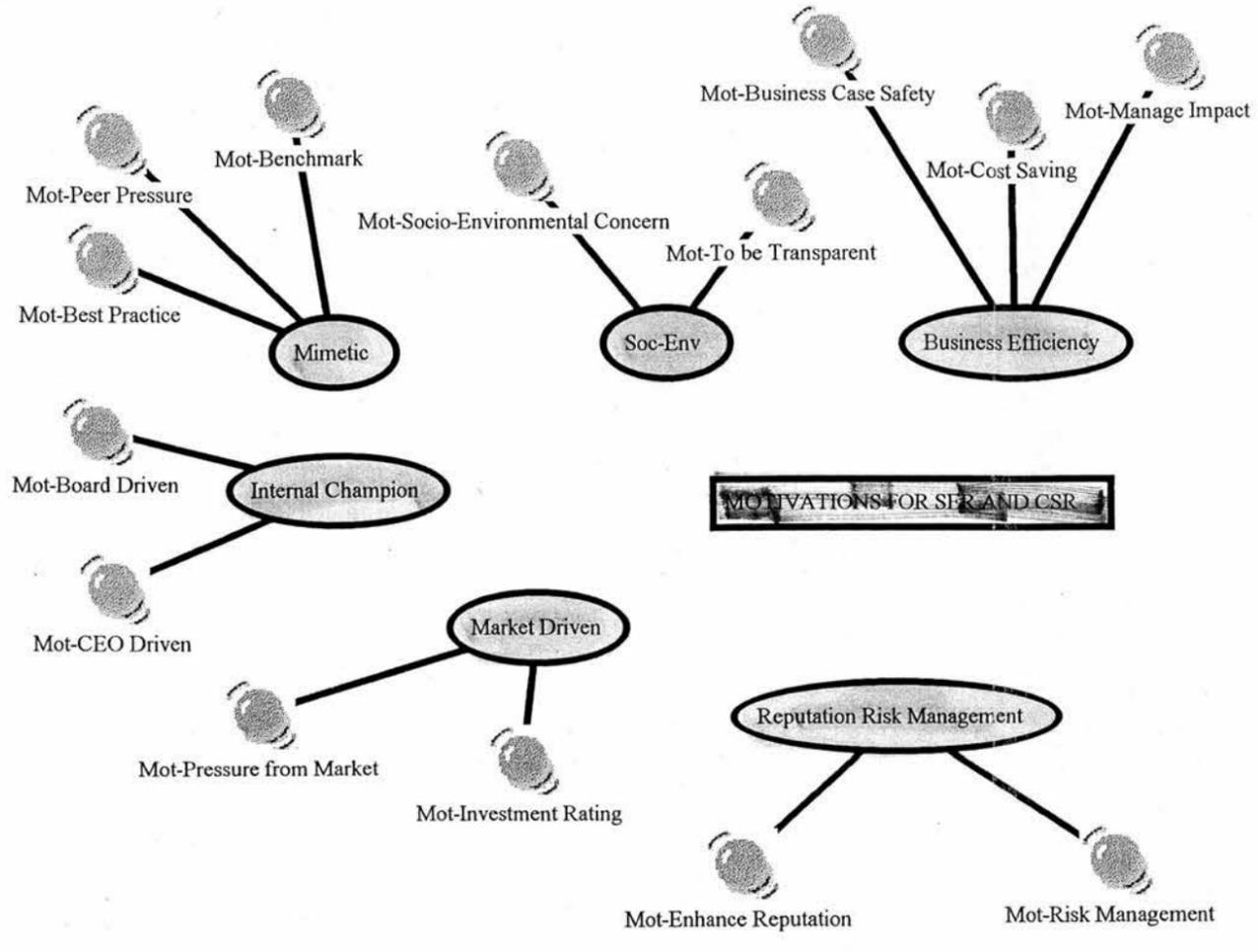
SDD = Sustainable Development Director

PIAD = Purchasing and Internal Affairs Director

EED = Environment and Engineering Director

MktD = Marketing Director

APPENDIX 3 - MIND MAP



**Appendix 4: Carbon Impact for Main Study Interviews**

|                             | Total Bus Mileage   | Total Car Mileage   | Total Train Mileage  | Total Plane Mileage | Underground |
|-----------------------------|---------------------|---------------------|----------------------|---------------------|-------------|
|                             | 230                 | 1,373               | 4,210                | 636                 | ??????      |
| Tonnes CO2 emitted per mile | 0.0006 <sup>d</sup> | 0.0003 <sup>F</sup> | 0.00012 <sup>£</sup> |                     |             |
| Total CO2 Emitted in tonnes | 0.138               | 0.4119              | 0.5052               | 0.09                |             |
|                             |                     |                     |                      |                     |             |
|                             |                     |                     |                      |                     |             |
|                             |                     |                     |                      |                     |             |
|                             |                     |                     |                      |                     |             |

- F = for a petrol engine between 1.4 and 2 litres
- £ = for an intercity train, which was generally used
- d = have just crudely doubled car figures to derive this

In total, 1.1451 tonnes of CO2 emitted in the process of traveling around the country on a mission trying to understand environmental irresponsibility. This has been ‘offset’ by giving Future Forests £14.89 to plant one and a half trees.

However, this does not include the pilot study interviews or the energy, computer, stationery, paper use etc. over the past three years. The PhD is far from carbon neutral. Indeed, even planting trees to remedy past sins is an end-of-pipe measure that personally does not make me feel all warm and fuzzy inside.

I will constantly be perturbed as to whether my own personal environmental footprint is a worthwhile sacrifice to make. Of course, this is all very utilitarian. I am conscious of Henry David Thoreau’s suggestion that the best thing one can do for society is as little as possible. From a utilitarian perspective, it might not be wise to be utilitarian. Utilitarianism and anthropocentrism presume that we can know and control the world, whereas it is unlikely that we can even begin to do either. The best way to take us to a sustainable state (a utilitarian dilemma) may be to value nature in and of itself, the means of being rather than the consequences (a non-utilitarian process). This would take us to an even better place than simply a sustainable world, a place that gives us a more salient relationship with nature.