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The Role of Corporate social disclosure

Trust, reputation or fashion tool?

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Abstract

Motivation: Corporate social responsibility (CSR) disclosure can be used as a device by companies to communicate accountability, by showing their vision for the future and account for past performances. If companies are able to communicate their social and environmental work they can receive advantages attached to a good reputation and build a relationship, based on trust, with the society in which they operate. Therefore it is in the interest of this thesis to examine what role CSR disclosure have or does not have in companies' communication to their stakeholders.

Previous research has stated that quality of CSR disclosure, as it tends to be unaudited, is a possible explanation to users' lack of interest for it. This study sees companies "attitude" towards CSR disclosure and lack of knowledge as another possible area where companies can improve to enhance users interest in CSR disclosure.

Problem statement: Previous researchers have pointed out possible roles CSR disclosure could have, which would benefit both companies and users. For example the report could be a communication device with which companies show accountability and performance to build trust for their company and at the same time provide stakeholders with information these can use to improve their decision-making.

The problem with CSR disclosure role seems to be that companies either "misuse" it or does not embrace the possibility to account for their good work. Critics of the CSR disclosure mean that it is used by companies to manage their reputation, and that it is rather reputation management than accountability that drives companies to engage in CSR accounting. Others points the problem of CSR disclosure role to that companies instead of taking advantage of it do not embrace the possibility to account for their good work through CSR disclosure, that is companies engage more in environmental and societal issues than they disclose in their CSR reports.

Approach: The starting point for this study is that companies do not seem to embrace the possibility of using CSR disclosure as a communication tool in which they can show accountability and build trust, but instead use it as a marketing tool or just produce disclosure because it is in "fashion".

This thesis examines the role of CSR reports and companies use of the report as a communication tool to respond to external pressure and build trust and/or manage reputation. To examine the role of CSR reports knowledge about how companies use CSR reports for reputation management and/or trust building is acquired through a literature review, covering a number of well established journals' articles regarding corporate social reporting. The purpose of such literature review and the focus of this paper are to start building an instrument which can be used to analyze companies' use of CSR reports in order to explore the role of CSR reports.

1. Background – A question about company's role in society

In the 1960's – 1970's it was acknowledge that companies' activities have an impact on their surroundings, and as such a discussion about what responsibility a company should take for their action arose (Brown et al. 2009). The discussion were divided between two fields on one side Milton Friedman and others argued that the only responsibility a company should have was to be a market player maximizing shareholders profit. On the other side the discussants argued that companies' responsibility reached beyond their financial responsibilities.

Scandals that occurred after the millennium such as Enron, WorldCom and Arthur Andersen started a wave of mistrust against large companies driven by shareholder maximization (Borglund et al. 2009). Further the discussion about CSR flourished due to reports such as our common future or *Brundtland Report*; where the relationship between economic growth and environmental issues were discussed and the concept sustainable development was establish, *Agenda 21*; a sustainability program for sustainable development and Al Gore's documentary in 2006 "*An inconvenient truth*" discussing environmental issues. External actors such as governments, NGO:s and media engage in holding companies responsible for the impact their operation have on society (Porter and Kramer 2007). Companies such as Nestlé, Shell and Nike action were questioned by external actors and these companies had respond to the external pressure by enhancing their responsibility engagements in order to continue operating (Borglund et al. 2009). Media engage in reporting about what impact companies' operations have on their surroundings, most recently BP: s oil leak in the Mexican golf were in the spot light. Investors' interest in CSR has also increased and indexes such as Dow Jones sustainability index and FTSE4Good have been established to give investors indication of which companies operations are ethical.

Today stakeholders trust in a company's operation is considered to be of importance for companies in order for them to create value (Borglund et al. 2009). The purpose of the current paper is to examine what role CSR disclosure has or does not have in companies' communication to respond to external pressure. KPMG's international survey of corporate responsibility reporting (2008) including approximately 2200 businesses in 22 countries showed that 80 percent of these companies included CSR in their reporting. This was a noticeable increase from the survey result in 2005 when 50 percent of the companies included CSR in their reporting.

The increase of sustainability reporting may be an indication of that companies regards CSR disclosure as part of their strategy to build value by creating trust among their stakeholder groups. Deegman and Underman (2006: 312) states that:

> *"the broader objective driving any particular organization to undertake CSR and sustainability report can range from ethically motivated desire to ensure that the organization benefits, or does not negative impact upon, society and natural environment through to an economically focused motive to use social and environmental reporting and CSR to protect or enhance shareholder value*."

Previous studies have found that what motivates companies to engage in CSR communication is that they receive advantages and resources which help them created value for the company. For example Waddock and Graves (1997) found a positive connection between companies work with sustainability and their financial results. In their article they refer to Moskowitz (1972), Freeman and Gilbert (1988) Hamel and Prahlad (1989) and Bartlett and Ghoshal (1994) which found that enhance social responsibility could lead to competitive advantages having a positive impact on companies' financial results. Coomb's (1995) research showed that companies communicating that they are socially and environmentally responsible are able to recover faster from company crisis since customers tend to keep companies with a good CSR reputation less liable. O'Dwyer's (2002) study showed that the prime motivation for adopting sustainability reporting was to enhance corporate legitimacy. He states that companies seem to react and respond to external pressure especially if it threatened corporate reputation and/or the ability to operate unhindered.

2. Start building a model to explore possible roles for CSR disclosure.

This paper suggests that corporate responsibility reporting is part of companies' strategy to create value by building trust or managing their reputation among their stakeholders. It is in the interest of the study to examine what role CSR disclosure has or does not have in companies' communication to respond to external pressure. In order to achieve the purpose of this paper; to start building a model that can be used in order to determine the role of CSR communication, the study's starts from Carroll's pyramid model from 1979 which divides the responsibility that companies' stakeholder wants them to take in a pyramid- figure (Figure 1) offering a framework *"through which a corporation's strategic responses to a social issue can be identified and assessed"* (Lee 2008: 60).

The bottom and the largest part of the pyramid consist of company's responsibility to *Economic* maximize the firm's value, the next piece of the pyramid consist of companies *Legal* responsibility to comply with rules and regulations. At the next level companies' *Ethical* responsibility to act in a way that society believed to be "good behavior" is found and at the top of the pyramid the Discretionary or Philanthropic responsibility to be a good corporate citizen is found (Schwartz and Carroll 2003, Carroll 1979).

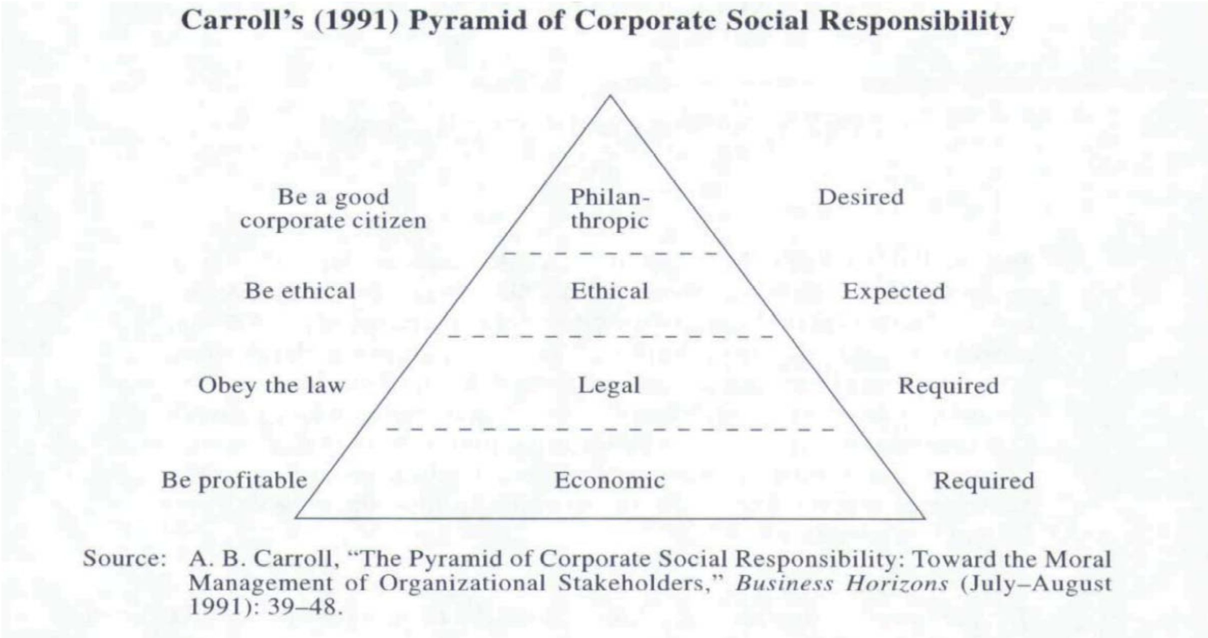

Figure 1 Carroll's pyramid of CSR *Source: Schwartz and Carroll 2003*

Carroll's pyramid is complemented with Elkington's (1997) *"Triple bottom line"* that suggested that sustainability accounting should include information about companies' economic, social and environmental impacts. The triple bottom line is often found in companies sustainability reporting.

In the table below presents the content from a small sample of companies' responsibility reports and how such information can be sorted under the categorization of Carroll and Elkington.

Pages	Carroll's responsibility pyramid					
	Philanthropic	Ethical		Legal	Economical	Other
Triple bottom line		Social	Environmental		Economic	
Alliance Oil	1	1	5	-	-	
SCA	2	9	13	3	8	38
SKF	5	4	7	1	4	5
Husqvarna	-1	2	6	-1	2	1
Hakon Invest	-	-1	-1		-1	-1
SEB	4	8	4		5	27
Ericsson	9	6	8		1	19

Table 1 Carroll and Elkington's categorization

That is companies account for required responsibilities; that is what their economic responsibilities are and what the economic impact is. Furthermore, this means that companies account for impact their economic, environmental and social actions have that the law requires them to account for. They also account for expected responsibilities; that is they account for what ethical responsibility they take, in this paper that means that they account for their social and environmental impacts. Moreover, companies disclose information about what they do to satisfy externals desire for them to take a philanthropic responsibility.

A question Gray, Owen and Adams (1996) might be able to answer is why do companies have to account for the different responsibilities discussed above? Their answer would probably be that in the struggle for sustainability the sustainability report could provide users with information, which they could base their decision on. In their book *Accounting and Accountability* they refer to Gray et al (1987:ix as cited in Gray et al 1996:3) defintion of corporate social reporting as:

> *" ...the process of communicating the social and environmental effects of organizations' economic actions to particular interst groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholder. Such an extension is predicated upon the assumption that companies have to*

wider responsiblites than simply make money for their shareholders"

In this paper the citation above is interpreted as that the purpose of responsibility reporting is to provide stakeholders with information that goes beyond stating how companies manage their financial obligations. As such CSR reporting involves"*…extends the accountability of organizations…"*. The word accountability incorporate a question regarding who should answer to who, for what and under what rules (Lerner and Tetlock 1999). Question such as who should answer to who has, as stated in the beginning, been discussed in the field of CSR, that is should companies only answer to shareholders or also to stakeholders. For what has also been brought up, as stated before, is what company's extended accountability incorporate, and Carroll's have developed a model to divide the responsibility of companies. Responsibility reporting is most often voluntary but as Carroll's shows external actors can require, expects or desire companies to account for different responsibilities. In order to get a harder grip about what accountability means in the CSR filed some previous researchers from the CSR field definition of accountability will be presented:

Gray et al. (1996:38) defined accountability as *"The duty to provide an account (by no means necessarilly a finacial account) or reckoning of those actions for which one is held responsible".* This citation like Learner and Tetlock (1999) states that someone should or even must provide an account for their responsiblities.

Adams (2004:732) demonstrate accountability as *"corporate acceptance of its ethical, social and environmental responsiblity. As such the"account" given should reflect corporate ethical, social and environmental performance".* Adams citation gives an indication of that if CSR reports is not only show performance (a bottom line result), but also stated what responsibility the company has accepted to take and work with.

Lozano (2004:102- 103)writes in the book edited by Brenkert (2004) that accountability *"defines the kind of company one wants to build and the contribution one wants it to make…In this respect, accountability involves much more than simply providing information; it involves building a corporate license to operate through interaction with other social actors….. Accountability is not a question of metrics but of vision. This vision concerns how a company sees itself and its role in the world."*

Stealing the words of Lozano (2004) accountability involves building a corporate license to operation and one tool that is avaialble for companies to show their accountability are corporate responsibility reports (Adams 2004). In order to show accountability and build a licence to operate through such reports previous researchers stated that companies should use it to demonstrate what they are going to do socially and environmentally (vision & acceptance of responsiblity) and aslo account for what they have done socially and environmentally (record actions). To sum up this means that the corporate responsibility report could be used by companies to show accountability and performance in order to build up trust which help them to get a licience to operate.

Although corporate responsibility reporting have been criticized for being used as a tool to manage repuation instead of a tool to show accountability. Previous researchers have pointed out that corporate social reports are used in order to manage repuation: As the corporate responsibility report is a social construction (Morgan 1988, Hines 1988) established on voluntary basis there is a risk that only certain aspects of the organizations operation is visualized in the reports (Gray et al. 1996). As such the corporate responsibility reporting has been criticized for being used as a reputation management tool. For instance Schilizzi (2002) criticize corporate social reports stating that it is only a way for organizations to enhance their reputation. Adams (2004) complained that the reports lack completeness. She stated that the reports was not transparent enough, not covering positive as well as negative aspects of the company's operation or showing the company's acceptance of its responsibility by clearly stating values and corresponding targets and expected achivement dates. Owen (2005) stated that it seemed to be issues of reputation and risk management and competitive advantages that drove companies to engage in corporate social accounting rather than accountability. In a study made by Bebbington *et al* (2007) a connection between corporate social reporting and reputation management was found. Both explicit and implicit evidence for reputation manage where found in the CSR reports examined. In some reports organization explicitly stated that they sought to gain good reputation. In other reports examples of strategic communication were found. Furthermore, O'Dwyer (2002) found internal evidence for that companies use CSR reports to manage reputation. Managers interviewed in his study stated that corporate social reports were used as symbolic tool rather than reflecting actual responsibility or activities undertaken. Laufer (2002) referred to previous researchers to state that companies mislead their stakeholders from issues that might concern them about the company in order to manage their reputations, using communication practices misleading users' perception about its operations, such as green- washing, conducted by Quirola and Schlup (2001) and Vogel (1989). That is in order to manage their reputation companies may engage in complex strategies that shift attention from the firm and mislead stakeholders about their objectives or commitments (Laufer 2003).

So far two different picture of the role of CSR reports have been introduced. On the one hand the reports are used by companies in order to account for their responsibility and as such build trust among their stakeholders. The other option companies have is to use the reports to manage reputation and in such tries to mislead their stakeholder about how they work with sustainability in their operations. This paper suggest a third option, that is that some companies use CSR reporting because other successful companies do so.

As an attempt to understand why and how companies use their sustainability reports this paper wants to continuing building on Carroll's pyramid model by conducting a literature review examining what previous researchers have found about about why and how companies use CSR disclosure, in order build a model that can be use for determining the role of corporate responsibility reporting have in companies strategic communication towards their stakholders.

3. Method

The current paper is focusing on how and why companies communicate and account for their responsibility through corporate responsibility reporting. The purpose is to contribute to the CSR literature by starting to build a model that can be used for studying the role of corporate responsibility reports; that is how and why companies use these to respond to external pressure.

The question this paper starts to answer is why (what communication strategy lies behind companies use) and how (what techniques does companies use to achieve their communication strategy) companies use responsibility disclosure. This paper divides the role of corporate responsibility disclosure into three different categories; (1) trust building devise (2) reputation management tool (3) fashion- following document. In the first two categories it is assumed that companies embrace the possibility to use the corporate responsibility disclosure strategically to receive resources, although how their attitude towards how to receive resources differs. In the third category companies use the disclosure but do not fully embrace their possibility to account for their good work in order to capture stakeholders' interest and trust in their company.

The challenging part of this study lies in *defining* the three categories. Although in this paper the focus will lie on studying what previous studies have found regarding companies use of the sustainability reporting. A literature review focusing on examining what previous research states about how and why companies choose to communicate their CSR responsibilities and activities to stakeholders will be conducted. The aim is to extend Carroll's model in order to apply it for analyzing companies' use of corporate social disclosure as strategic communication to their stakeholders. For the future the aim is to use this model to analyze companies' use of CSR reports empirically.

First sample selection

The sample of the literature review was chosen by searching for the keywords: *corporate social reporting + reputation, corporate social disclosure + reputation, corporate social reporting +trust, corporate social disclosure + trust.* When there were less than 20 articles in total for the keywords corporate social reporting or corporate social disclosure all articles in such journal will be reviewed.

Highly ranked accounting journals by Ballas & Theoharakis (2003) with different focuses (i.e. more theoretical, empirical, research based) were selected for the review:

Keywords: / *Journals:*	*Reporting + reputation*	*Reporting + trust*	*Disclosure + reputation*	*Disclosure + trust*
Accounting, organizations & society (AOS)	110	156	86	138
Accounting, auditing and Accountability (AAA)	110	156	77	99
ABACUS	135	204	37	60
Journal of Accounting and economics (JAE)	88	0	92	0
Journal of Accounting & public policy (JAP)	42	41	37	13
TOTAL	**443**	**516**	**292**	**297**
Accounting & Business research (ABR)		16		7
European Accounting review (EAR)		17		9

Table 2 First Selection of articles based on keywords (sorted after how many hits where found in each journal)

The key words were first selected with the hope to use articles to be able to divide between trust and reputation and as such distinguish the two concepts, although some articles are found both under trust and reputation and therefore each article will be analyzed and valued separately.

Selecting articles

In order to select articles all abstracts from the journals selected were review. At this stage some paper were excluded, that was paper focusing on *auditing, performance measures (the connection between corporate social reporting and corporate financial performance), web and on-line related questions, different sorts of accounting such as city accounting or compensation accounting, pension incentive system, feminist theory, changed practice of financial institutions.* Instead articles with abstracts indicating that the article focus on how and why companies use responsibility reports were selected. After this limitation 123 articles remained.

In the final stage of selecting articles the whole article is read and evaluated. If it is believed that the article can contribute to the understanding of how and why companies use corporate social disclosure it is used for building the model. The third selection process is not completed at this stage; the literature review at this stage is still a work in progress.

Selection of articles	*Nr. of articles second selection*	*Nr. of articles third selection*
Accounting, organizations & society	36	21
Accounting, auditing and Accountability	56	?
ABACUS	4	?
Journal of Accounting and economics	2	0
Journal of Accounting & public policy	9	?
Accounting & business research	8	?
European Accounting review	8	?
TOTAL	**123**	?

Table 3 Second and third selection of articles

4. Literature review - Companies' use of corporate responsibility disclosure as a strategic communication tool

4.1 Response to external pressure

Different *theoretical perspectives* have been used in order to explain the voluntary disclosure practice that exists in sustainability disclosure. In several studies more than one theory has been used as theories tend to overlap and be connected to each other (Deegan 2006). For instance Grey *et al.* (1995) regards legitimacy and stakeholder theory as two set of assumptions within the political economic theory. Deegan (2006) also states that legitimacy theory arrives from the economic political theory but adds that legitimacy theory overlaps the institutional and stakeholder theory. Aerts and Cormier (2009) states that the legitimacy theory has its roots in both institutional theory and socio- political research. Furthermore, some assumptions in impression management theory can be drawn back to the stakeholder theory and legitimacy theory. For instance impression management literature states that annual reports narratives are directed towards relevant public in contrast to other textual discourses that may be directed to the general public (Neu et al. 1998). As such the power of a stakeholder affects what issue a company chooses to disclose and the strategy chosen by a company to send the right message to the relevant public (Neu et al. 1998). Furthermore, it is assumed in legitimacy theory that managers have the possibility to control information output in order to create correspondence between social values and organizations activities. Impression management rest on the assumption that managers will take this opportunity to provide a self- serving picture (Hooghiemstra 2000).

Different theories used in the CSR research have been influenced by each other and as such come to share some convergent assumptions. A convergent assumption between some theories is that organizations' existence is affected by their external surrounding's perception of them. As external actors possess resources firm's are dependent of external actors and as such need to respond to external expectations (Moll et al. 2006). One way for companies to respond and affect public opinion about them is to engage in social disclosure (Hooghiemstra 2000).

In accordance to the theoretical assumptions expressed above this study is based on the assumption that companies use corporate responsibility disclosure in order to respond to external pressure. As such the first section of this literature review will examine what previous researchers have found in regards to how external expectations affect accounting practice.

The relationship between external pressure and social responsible reporting		
External pressure depends on:	*Firms characteristics* such as: Size, age, industry, ownership, profitability and capital intensity etc	**AOS:** Trotman & Bradley (1981); Roberts (1992); Aerts (1994) (2005); Cho, Roberts & Patten (2009); Aerts & Cormier (2009). **AAAJ:** O'Dwyer (2002); Laine (2010).
There is a correlation between firms' characteristics and visibility and between visibility and social responsible disclosure.		

Table 4: References to external pressures relationship with corporate social responsibility reporting

It has been recognized that *firms' characteristics* have an impact on what external pressure firms have to deal with, as firms characteristics have an impact on how visible a firm is. O'Dwyer (2002) found that companies in sensitive industries together with size had an effect on how visible a company was in society. Aerts & Cormier (2009) tested and found support for that companies operating in environmental sensitive industries are more visible (in media) and that these companies disclose more corporate social information. Trotman & Bradley (1981) showed that companies providing social responsible information on average are larger in size, have higher systematic risk and place stronger emphasis on long term than companies not disclosing such information. Aerts (2005) showed that ownership can affect accounting practice as he found that Belgian listed companies used attribution explanations, that is when companies for example letting good performance be associated with internal factors while bad performance is associated with external factors.

As firm's characteristics seem to have an impact on external pressure that in its turn seems to have an impact on disclosure practice several studies use firms' characteristics as a variable in their research. For example Roberts (1992) were testing Ullman's stakeholder model or Cho, Roberts and Patten (2009) testing the bias language and verbal tone in corporate responsibility reporting used firms characteristics as a control variable in their statistic model. The table below is a summary showing the extensive use of firm characteristics as a variable when it comes to research in corporate responsibility disclosure. The table shows that the character of the firm is used in studies using different methods, different geographical setting[1], if it has been a longitudinal study (LT

Industry: / **Method:**	***Different industries***	***Mining industry***	***Tobacco industry***	***Energy***
Content analysis	Patten (1991) Deegan and Rankin (1996)(AUS, LT*) Wilmshurst and Frost (2000)(AUS) Laine (2009)(FIN)	Guthrie and Parker (1989)(LT*)(AUS) Deegan, Rankin and Tobin (2002) (LT*)(AUS);		
Interview	O'Dwyer (2005)			
Interview/ Survey	O'Dwyer (2001,2002)(UK)			
Content + interview/ survey	Deegan and Gordon (1996)"(AUS, LT*) Walden and Schwartz (1997)(LT*)	Deegan and Blomquist (2006)		Cho (2009)(FRA)
Content + Statistics	Cormier and Gordon's (2001)(LT*)(CAN)Patten (2005) (LT*) Aerts and Cormier (2009); Cho, Roberts and Patten (2009)(US)		Tilling and Tilt (2009)(UK)	Patten (1992) (US) Cormier and Gordon (2000)(CAN; LT*)
Statistics	Roberts (1992):Aerts (1994)(BE) (2005)(BE)			

Table 5 Previous research using firm characteristic

Carroll's model does not incorporate firm's characteristics as a variable; therefore *the first variable added to the model will be firm characteristics.* In appendix 1 (a) a test on 7 listed

[1] AUS= Australia, BE= Belgium, CAN= Canada; FIN= Finland; UK= the UK; US= the USA

companies on the Stockholm Stock Exchange (large cap) is conducted in order to test the different variables included in the extended model. What was interesting in this respect was that Alliance oil which could be considered as a company operating in a sensitive business only used 7 pages to report their sustainability while SEB which operate in the bank sector (not being a sensitive business) used 48 pages. Even if it is interesting this difference may be associated to other firms' characteristics that could have a greater impact on a firm's visibility, more firm specific characters have to be connected to the two companies.

4.2 Why and how do companies respond to external pressure

This section will look at why and who companies responds to external pressure. Aerts (1994), which does not refer to environmental reporting specifically, states that narrative accounting disclosure, such as responsibility reporting, is a tool companies can use in order to legitimacy company's activities and outcomes, as accounting language can be used to influence thinking and behavior. Carruthers (1995) points out that new institutionalism regards accounting practice as a tool companies can use to receive legitimacy by *constructing* an appearance of rationality and efficiency. Hoopwood (2009:437) also stated that companies may be interested in engaging in environmental reporting in order to increase their legitimacy or facilitate a new and different image of the company. As such the report "*serves as a corporate veil, simultaneously providing a new fact to the outside world while protecting the inner workings of the organization from external view".*

In the next sections knowledge about why and how companies use responsibility reporting will be collected from previous research.

1. *Respond to external pressure – disclosure used to close legitimacy gap.*

According to the legitimacy theory a company's existence is dependent on if the society in which it operate recognize that it's activities are in accordance to this society's value system (Gray et al 1996). *Dowling & Pfeffer (1975: 122)* stated that organizations:

> *"seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behavior in the larger social system of which they are part".*

If there is no correspondence between social values and organization's activities, a legitimacy gap may occur. The legitimacy gap may arise due to different reasons: company change while societal expectation remain the same; societal expectations change but company performance remains the same; both organization and societal expectations change but in opposite directions To reduce the legitimacy gap companies may adopt tactics and discloser approaches (O'Donovan 2002). Neu (1991) how explores the role of trust and states that trust depends on to expectations; on the one hand it depends on *social expectation* that is practice taken for granted and accepted as the correct way of acting, to stop once care at a red light and *constructive expectation* that is appropriate behavior for specific situation, this is learnt with experience and interactions. Neu (1991) also explains that trust is a fundamental ingredient that is needed in order for an exchange to occur.

The next section will explore what communication techniques previous research states that companies in responsibility reporting to receive legitimacy and trust. As might be expected previous research have looked at the rhetoric and categorization in companies' responsibility reporting to understand how these are used to by companies to be perceived as legitimate.

Dowling & Pfeffer's paper from 1975 provides a conceptual framework for analyzing organizational legitimacy and process of legitimating. Dowling and Pfeffer (1975: 126-127) found that organizations can either **adapt** its output, goals and methods of operation to what is currently seen as legitimate, through communication become identified with symbols, values or institution that are associated with strong legitimacy or try to **change** the definition of social legitimacy in such a way that it suits present practice of the organization.

Some researchers have found that depending on what stakeholders' present perception are of a company, the company may choose different communication strategies in order to acquire legitimacy. As such several previous researchers have looked at how companies use rhetoric to **gain,** that is to establish a perception of being a legitimate company, **maintain,** that is to hold on to the current perception of being a legitimate company, **regain,** that is get back the perception of being legitimate for instance after a "scandal" has occurred or **loss,** that is to reduce the perception of being a legitimacy company for instance because it requires too much resources to maintain current perception of the company.

Several articles have also looked at how companies use rhetoric to **gain, maintain, regain** *or* **loss** legitimacy. Ashford and Gibbs (1990) start the 1990's with an article about symbolic legitimacy. In their article the authors explain how the field exists of different actors trying to maintain, extend and defend legitimacy. The purpose of their article is to explain the dynamics of legitimacy. In Suchman's article from 1995 he explains what strategies managers choose to manage their reputation, depend upon if a company wants to gain, maintain or repair legitimacy.

From the ideas of Dowling & Pfeffer (1975) that companies adopt or change perception of what accepted as legitimate; Ashford & Gibbs (1990) and Suchman (1995) ideas about the dynamic of companies legitimacy creation, strategic legitimacy theory researchers continued to examine how corporate social disclosure is used to close legitimacy gaps.

For instance Lindblom (1994) (L a- c in the table below) discusses how corporations seek to acquire legitimacy and what disclosure strategies an organization can take to close legitimacy gaps; (a) adjust organization output to external pressure and communicate changes in order to educate and inform the relevant publics about the changed performance; (b)not adjust outcome to external pressure but inform and educate the public about the appropriateness of the outcome; (c) not change outcome but be associated with symbols associated with high legitimacy status.

O' Donovan (2002) *(*O a- d in the table below*)* discussed what communication strategies a company could use to regain legitimacy; (a) avoid addressing the issue, (b) attempt to alter social values, (c) attempt to shape perceptions of the organization, (d) conform to conferring public's values*.*

Cho (2009) (C a-c in the table below) took the ideas from Dowling & Pfeffer (1975), Lindblom (1993) and O'Donovan (2002 and combined them into three new classifications: (a) *Image enhancement;* where company link itself to positive values, (b) *Avoidance/ deflection;* company redirect of deflect attention from social or environmental issue *and* (c) *Disclaimer;* company attempt to look legitimate by denying its responsibility in negative or harmful activity.

Based on Cho's (2009a) statement that there is a need to better understand why companies engage in corporate social reporting and the rhetoric's used in such, Laine (2009) started to explore the language used by three Finish companies in their CSR reports more in dept.

Strategic tactic summary	**Adapt** to social values (Dowling & Pfeffer, 1975)	**Change** social values (Dowling & Pfeffer, 1975)	**Other options**
Gain (Suchman, 1995)	L(a) Adapt and	L (b) change	L(c)Manipulate perceptions

(Tilling & Tilt, 2009)	communicate	perception of outcome by education.	
Maintain (Ashford & Gibbs, 1990) (Suchman, 1995) (Tilling & Tillt, 2009)	L(a) Adapt and communicate	L (b) change perception of outcome by education.	L(c)Manipulate perceptions
Regain (Ashford & Gibbs, 1990) (Suchman, 1995) (Tilling & Tilt, 2009)	L(a) Adapt and communicate O(d) Conform	L(b) change perception of outcome by education. O(b,c)change perceptions	L(c)Manipulate perceptions O(a) Avoid C(a)Image enhancement C(b)Avoid/ Deflection C(c) Disclaimer
Loss (Tilling & Tilt, 2009)			

Table 6 Summar strategic tactics

- L (a-d) = Lindblom's (1994) four different legitimacy strategies.
- O (a-d)= O'Donovan (2002) observation of managing reputation after a disaster)
- C (a-c) = Cho's (2009) summary of Dowling& Pfeffer, Lindblom and O'Donovan's observations.

O'Donovan (2002) also uses Oliver (1991) research, looking at the phenomena of corporate social disclosure (CSD) from an institutional and resource based theory, stating that effort necessary to maintain legitimacy depends on what legitimacy the company had to begin with. Based on this O'Donovan states that it is harder for a company that promotes itself as extremely socially and environmentally responsible to maintain legitimacy, as it always need to perceive public expectations. Although, maintaining legitimacy is easier than gaining or repairing it, as the two latter activities requires proactive actions by the company (O'Donovan 2002).

Tilling and Tilt (2009) study of Rothmans, an Australian tobacco company, result in an expansion of Ashford & Gibbs (1990) and Suchman (1995) model of establish, maintain, regain with loss. They named and explain the different phrases of legitimacy; *establishing* includes early stage of firm's development where it ensures it can meet its obligations; *maintaining* includes preserving its role and become attached to symbols as well as handling other challenges to its legitimacy; *extending* where company realize its need to change in accordance to circumstances; *defending* where company provide response to a challenged legitimacy *loss*; instead of defending its legitimacy a company may choose to loss some of its legitimacy as it is easier to maintain less legitimacy. At some point the company has to stop losing legitimacy and from that point the company can either end up at *disestablishment* or start over with establishment to gain more legitimacy again. In their empirical study they found that prevailing strategy used by Rothmans to handle the smoking and health issue threat against its legitimacy, where to engage in community services and charity.

Previous researchers to Cho (2009) and Tilling & Tilt (2009) have also empirically tested if corporate social disclosure is used as strategic devise by legitimacy seeking companies. For example after Exxon Valdes oil Spill in 1989 Patten (1992) and Walden & Schwartz (1997) examine such crisis affected the disclosure among oil companies and companies in other branches. Patten (2005) found that companies mislead their social disclosure, including more positive than negative information in their corporate responsibility reports. Deegan & Gordon (1996) and Deegan & Rankin (1996) also found that companies focus on disclosing positive information.

Neu (1991) also looked at how companies can create and maintain trust. Trust is based on common expectations, which in their turn implies norms of fairness of certain behaviour, and sanctions against such behaviour that is considered to be unfair. There is a relationship between trust and contracting, for example when no trust exist no contracts will be signed and when high levels of trust exist contracts are not needed. Based on Zucker's (1986) categorization of trust creating mechanisms (a) process- based (trust tied to past and future exchanges) (b) character based (trust is ascribed characteristics such as ethnicity, gender and age) and (c) institutional based Neu showed that how companies may use such trust mechanism in their communication. For instance Neu noted that the in his sample of 230 companies listed on the Toronto Stock Exchange, some used the process- based trust mechanism by including management biographies within prospectus document.

The second variable added to Carroll's model is communication strategies which here is presented as ways to close legitimacy/ trust gaps that by adopting to changes and inform about them or by changing social expectation though communication or by avoiding to address the issue or mislead or draw attention from the issue. Although at this stage the sample drawn from the Stockholm stock exchange responsibility reports have not been analyzed by their rhetoric used in such, it is interesting to note that 3 of the 7 companies included a CEO message in their reports. From the 7 companies presented in appendix 1, three companies integrated their responsibility reporting in their annual report. 3 of 4 with separate responsibility reports included a CEO message. SKF also included collective information and picture over SKF management, SCA also present their management but separately attached to the different areas of responsibility, which could be analyzed in connection to Neu (1991) discussion about trust is ascribed to characteristics. Furthermore, SEB give an historical glance over how their work with responsibility has progressed over years. Furthermore, SEB lets one of its managers Klas Eklund, known from writing text books used by universities write an article about the importance of sustainable work. This is something that could be connected to the so called process- based trust mechanism.

2. *Respond to external pressure – disclosure used to present a self- serving picture.*

According to Hooghiemstra (2000) impression management studies look at how individuals represent themselves to control the impression of others. Neu et al. (1998) states that the theory rest on the assumption that the managers will provide a self- serving view of a company's performance. Cho, Roberts and Patten (2009) based their research on Merkl- Davies & Brennan (2007) framework for analyzing corporate impression management strategies, assuming that managerial self- serving motive "*drives bias narrative disclosure".* There are different impression management techniques available for managers to enhance good news and diminish bad news (Hooghiemstra 2000).

Previous researchers have tested companies' use of communication techniques companies' use for impression management strategies when disclosing corporate responsibility information. Cho, Roberts and Patten (2009) looked at the relationship between disclosure and environmental performance and measured if "optimism" in disclosure where related negatively to firms environmental performance while "certainty" in disclosure where related positively to firms performance. They found support for that companies rated as poorer environmental performance by KLD (an independent rating firm) use impression management techniques. Techniques used by managers was either conceal information, that is emphasizing good news and cover bad news, or provide influencing attributions, that is attributing positive outcome to internal factors and negative outcome to external factors. In their study Cho et al. (2009) looked at the relationship.

Cho et al. (2009) refers to Aerts (1994) study which is about how companies explain their performance in annual narrative reports. Aerts' research is based on Schlenker (1980) and Leary & Kowalski (1990) research stating that the more a company's recent performance differs from what is desired, the more likely it is that managers becomes concerned with what image companies action gives the company. Accounting bias in Aerts research is following Schlenker (1980), in the social psychology field, definition stating that an event can be interpreted differently and as such an error may occur in the "objectivity" of the interpretation. Aerts' (1994) research also acknowledges Leary & Kowalski (1990) statement that the visibility of a company may have an impact on companies awareness of public opinion and as such "*encourage verbal impression management behavior" (p. 341).*

Aerts (1994) found that companies mostly attributed positive effects to internal factors; they found that 79% of the positive performance was attributed to internal effect. Although, the attribution of negative performance was not in majority attributed to external factors, instead Aerts research showed a more balanced picture with a small tendency to attribute negative performance to external factors were shown (53% of the negative performance were attributed to external factors). The results showed that narrative accounting information tends to be bias, although surprisingly the need to use accounting language to defend managers from responsibility showed a lower result. Another interesting result Aerts (1994) found was in opposition of the assumption that companies with stable performance might have less use of defensive accounting narratives unstable firms might use such techniques more in order to rationalize past experience and restore confidence in management capability. Aerts (1994) result showed the opposite: defensive accounting language was found only in stable companies narratives. He believes that this could be an indication of that for stable companies accounting explanations are used as *"strategy for accountability predicaments".* In 2005 Aerts examines accounting explanation practices' connection to contextual and motivating influences. As such he compared listed versus unlisted companies' use of the attribution technique (that is how performance is ascribed internal or external factors). They expected to find that listed companies were motivated to disclose more accounting attributions and explanations due to their public nature, incorporated with more pressure to show accountability. Examining the explanatory behavior between listed and unlisted companies found that listed companies used more attribution statements than unlisted companies. Even so Aerts (2005) presented some unexpected results such as that unlisted, in opposite to the expected listed companies, disclosed more explanations per explained effect than listed companies.

5. Concluding remarks

In all regrets this literature study does not provide the reader any clear answers as to what role companies' responsibility reporting have in companies strategic communication to respond to external pressure. One reason for not being able to provide such answer is because it has been hard to separate what is trust building and what is reputation management in the articles reviewed so far. This might be explained by companies own use of the concepts, there are cases were both reputation and trust is used in the same sentence. For instance the following sentence was found on Astra Zeneca's homepage (accessed 31 of October 2010) "*Our reputation is built on the trust and confidence of all our stakeholders and is one of AstraZeneca's most valuable assets.*"

What this paper provides is some suggestions for variables that can be attached to Carroll's and Elkington's existing models which could help to understand the role of responsibility reporting could have for companies' strategic communication.

First, it is suggested that what role the reporting get might depend on the firms' characteristics. As been stated above the assumption used in many theories used to describe and understand corporate responsibility reporting, reports are provided to respond to external pressure. The character of the firm can have an impact on companies' "visible" for example some companies operation have a risk of causing high damage to their surroundings such as oil companies. Therefore, stakeholder may put more pressure on and hold companies accountable for their operations pressuring them to not only take their financial responsibility but also take their social and environmental responsibility. An interesting finding when comparing the small sample of 7 companies from different industries collected on Stockholm Stock Exchange (large cap) was that Alliance oil which is operating in a sensitive industry provides less information in their sustainability report (7 pages) while SEB operating in the bank sector provides a more extensive report (48 pages). Although the only character compared in my sample is their industry belonging and as such other factors such as share price, ownership structure or other characteristics could explain this finding.

Secondly, the literature review starts to give some structure as to *how* and *why* companies are using CSR reports for a certain purpose.

Techniques used corporate responsibility reporting found by previous researchers		
1. Respond to external pressure – disclosure used to close legitimacy gap		
Obtain ***Maintain*** ***Regain*** ***Loss***	*Adopt changes and inform about the adoption, change perceptions by educating (presenting facts), Avoid addressing the issue, draw attention from the issue, misleading.*	**AAAJ:** Tilt and Tilling (2009); O'Donnovan (2002) **ABR:** Deegan & Gordon (1996) **AOS:** Patten (1992) **EAR:** Cho (2009 a); Laine (2010). **JAP:** Walden & Schwarts (1997)
Focus on positive information		**AAAJ:** Deegan & Rankin (1996) **ABR:** Deegan & Gordon (1996) **JAP:** Patten (2005)
Create trust	*Process- Based; Character- based or institutional based*	**AOS:** Neu (1991)
2. Respond to external pressure – disclosure used to present a self- serving picture.		
Bias language or vocal tone in Accounting explanations used	Impression management: concealment and attribution.	**AOS:** Cho, Roberts & Pattern (2009)[2]
	Accounting attribution and performance explanations.	**AOS:** Aerts (1994)[3] **AOS:** Aerts (2005)

As the rhetoric used in the sample was not analyzed in depth and as their current need to obtain, maintain or regain legitimacy has not been consider no observation can be drawn about the use of their rhetoric device.

The fashion following side of CSR reports have not been discussed as much as wanted in this paper although it is in the interest of this research to study more research such as the one conducted by Walden & Schwartz (1997) that examined how disclosure is affected among companies after a crisis such Exxon Valdes oil Spill in 1989, that is does it lead to more environmental disclosure in the company, in the company's industry or in all industries.

The research from Neu (1991) about trust mechanism that used by companies is believed to be of interest and contribution to our model. Looking at the sample the information provided

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[2] In order to measure "optimism" and "certainty" in their samples environmental disclosure included in 10- K reports Cho et al. (2009) used a text analysis program developed by Hart, R.P. called DICTION; which is used for "*lexical analysis through the analysis of five master variables: "certainty", "optimism", "activity", "realism" and "commonality."(p.6).* In order to determine environmental performance an independent rating firm, KLD, results were used.

[3] Attributions were coded according to an attribution- manual including the following dimensions 1) *locus of causality (internal or external) 2)valence of the effect (positive or negative effect) 3) nature of explanation (based on technical- accounting terminology and logical or not)4) Expression of cause and effect (is it expressed in accounting terms or not) .*

by the companies that lies outside Carroll's and Elkington's categorizations seems to be able to contribute to the understanding of the role of CSR reports. For future research it is attempted to study if and how the information that falls outside can be connected to companies' strategic communication strategies and techniques to create trust or build up a reputation.

The table below shows examples of information that is considered to be outside the categorization of Carroll and Elkington, and it is such information that would be interesting for this study to continue working to analyze and connect to company use and the role of the CSR report.

Information	Trust building	Reputation management
Control and assurance	X	
Code of conduct/ principles/ policy/Our role	?	?
CEO Massage	X	
Award and recognition		
Management information / messages		
Memberships		
Audit		
Indexes belonging		

As this study have only started to review literature and organize in the field of companies' use of sustainability reporting and how and why companies use to respond to external pressure this process will continue in order to build on to Carroll's responsibility model.

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APPENDIX 1 Test on a small sample

(a) Carroll's and Elkington's model

In order to test some exterminators from the research a simple selection were conducted from Stockholm stock Exchange, where the third company from the bottom of the list of seven different industry belonging were chosen to state an empirical example.

Pages	Carroll's responsibility pyramid					
	Philanthropic	Ethical		Legal	Economical	Other
Triple bottom line		Social	Environmental		Economic	
Alliance Oil	1	1	5	-	-	
SCA	2	9	13	3	8	38
SKF	5	4	7	1	4	5
Husqvarna	-1	2	6	-1	2	1
Hakon Invest	-	-1	-1		-1	-1
SEB	4	8	4		5	27
Ericsson	9	6	8		1	19

Example of information that ended up under the different categorizations

Philanthropy	**Ethics**	**Legal**
Community care / social commitment/ involvement/investment Social policy Sport Helping people Sponsorship/charity/ Investment Natural crisis Education and vocational training Energy help Information and engaging people in environmental issues	**Social** *Governance* Sustainability governance/ business ethics *Human resources* Health and safety Work force protection Non- Discrimination Balanced work- load **Environment** *Climate & energy* *Low carbon economy*	Product regulation/ product safety Environmental legal and regulatory compliance **Economic** Economic responsibility Business care

(b) Area1: *Firm characteristics*

Company	Industry	CSR report	Separate report (S) Integrated report (I)
Alliance Oil	Energy	7 pages	S
SCA	Material	73 pages	S
SKF	Industry	26 pages	I
Husqvarna	Consumer Discretionary	12 pages	I
Hakon Invest	Consumer Staples	3 pages	I
SEB	Finance	48 pages	S
Ericsson	IT	43 pages	S

Separate report, means that the company has an own report for disclosing CSR activities. *Integrated report* means that the company has included CSR activity disclosure in its annual report.

(c) Area 2: Why – strategic communication & How – communication techniques

Firm characteristics			
Firms need to obtain, maintain or regain legitimacy			
	Trust	Reputation	Fashion
Why	How	How	How
Close legitimacy gap	Adapt to expectation and inform about the change		
	Change perception by education		
		Draw attention from issue	
		Avoid to address an issue	
	Process- based mechanism		
	Character- based “		
	Institutional- based “		
Self- serving image		Attribution	
		Concealment	
		Explanations	