

FACTORS INFLUENCING ENVIRONMENTAL AND SOCIAL DISCLOSURES

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ABSTRACT

Despite a considerable number of prior studies investigating the impact of corporate characteristics and other contextual factors on environmental and social disclosure, there is only limited consensus on the relative significance of various factors, and no common theoretical foundation for understanding such disclosure. While prior empirical research has mainly consisted of quantitative studies of environmental and social disclosure output, this study provides qualitative evidence from personal interviews with 20 senior managers involved in the disclosure process in eight large Swedish companies. The paper gives further insight into the development and diffusion of environmental and social disclosure by identifying additional internal and external factors influencing managers' disclosure decisions.

INTRODUCTION

In the past, there have been numerous studies of environmental, social, and ethical reporting (in this paper collectively referred to as 'corporate social responsibility' or CSR reporting), many of which have attempted to identify factors that have influenced the quantity and type of such reporting. These studies are guided by the central assumption that certain specific corporate characteristics (such as size, industry or profitability), but also more general contextual factors (such as a company's country of origin and social, political or economic developments in that country) help explain why, how and to what extent companies choose to voluntarily disclose CSR information. Internal organisational factors, such as the maturity of information systems and the attitudes of company managers to CSR reporting, have not been particularly well studied to date.

Methodologically, prior studies almost exclusively rely on content analyses of company annual reports to gauge the level of CSR reporting, and then analyse the relationship between this measure of reporting and the various factors (corporate characteristics and general contextual factors) mentioned above, usually using some form of regression analysis or other statistical technique. Clearly, quantitative research methods dominate, and qualitative studies, such as interviews with managers responsible for the decision to disclose CSR information and involved in the reporting process, are quite rare.

A notable exception among the previously published studies of CSR reporting is Adams (2002) paper. In this study, Adams (2002) attempts to go beyond current theorising by examining internal organisational factors through interviews with key managers in three British and four German companies in the chemical and pharmaceutical sectors. Adams (2002) study results in a considerably longer list of influences on companies' CSR reporting, and a more complex picture of the decision processes that result in published CSR information.

The purpose of the present paper is to contribute to the current research on the factors affecting CSR reporting, by offering further evidence of how internal and external contextual factors shape the decision to disclose CSR information. The paper reports on a series of 20 interviews conducted with representatives of eight Swedish companies, mainly in the forest products sector, a number of which were environmental reporting pioneers in the early 1990's. The aim of the interviews was to identify factors that were considered important in the initiation and subsequent development of CSR reporting in each company, and for the group of companies as a whole. The study presented in this paper therefore builds on and extends the summary of variables affecting CSR reporting presented by Adams (2002).

The following section presents prior research on CSR reporting, in particular studies of the influences on such reporting. The research method used in the study reported in this paper is then presented, followed by the empirical results of the study. These results are discussed in the final section of the paper and some conclusions about the factors influencing CSR reporting in a Swedish context are drawn.

PRIOR RESEARCH

As noted above, there have been a considerable number of empirical studies of environmental, social, and ethical reporting over the years, with the research focus shifting somewhat, partly depending on the particular type of CSR reporting that is in vogue at the time. During the 1970's, the main interest was in the social dimension, especially disclosures relating to employees and product safety. Environmental issues were not frequently disclosed by companies, and so were not well researched by the academic community. This changed dramatically towards the end of the 1980's, and particularly in the 1990's, when the environmental agenda clearly dominated CSR reporting and research. In the late 1990's and early years of the new millennium, the focus has once again changed, with environmental and social issues being subsumed under the broader concept of sustainability reporting. This broadening of the CSR agenda has been accompanied by an increasing interest in the ethical aspects of corporate performance, including human rights and community involvement.

Over the years, the nature of empirical research into CSR reporting has also changed, reflecting the growing number of active researchers in the field and the increasing body of knowledge produced by these researchers. Mathews (1997) has provided a comprehensive overview of 25 years of social and environmental accounting literature, and notes that the empirical studies in the 1970's were of a rather unsophisticated nature, being mainly concerned with measuring and classifying the information produced by a limited number of companies. During the 1980's, the empirical studies were more analytical and less descriptive, and this trend continued in the 1990's, although the rapid growth of environmental reporting was at first treated as a separate phenomenon, only partially related to other CSR issues, and prior research in the CSR reporting field.

Apart from Mathews' (1997) review article, several other authors have also presented excellent summaries of prior CSR reporting research. For instance, Adams (2002) focuses specifically on empirical studies that have attempted to identify factors affecting the disclosure of CSR information. Adams (2002) organizes these studies into three categories, depending on whether they primarily examine the influence of corporate characteristics, general contextual factors, or internal contextual factors on CSR reporting. It is clear from Adams (2002) review that the vast majority of empirical studies have tended to concentrate on the relationship between CSR disclosure and the economic performance of companies, as well as general contextual factors such as the country of origin of the reporting companies. Internal contextual factors have only been explicitly studied by a couple of researchers, for example in Campbell's (2000) study of the impact of changes in company chairperson on the volume of Marks & Spencer's social disclosure.

In what could be called the mainstream of empirical CSR research, that is relating measures of CSR reporting to various corporate characteristics and assorted general contextual factors, a number of studies have shown that there is a relationship between the nature and extent of CSR disclosure and company size (see, for example, Adams et al, 1998; Belkaoui and Karpik, 1989; Cormier and Gordon, 2001; Cowen et al, 1987; Gray et al, 2001; Hackston and Milne, 1996; Patten, 1991; Trotman and Bradley, 1981), industry membership (see, for example, Adams et al, 1998; Cowen et al, 1987; Deegan

and Gordon, 1996; Gray et al, 2001; Hackston and Milne, 1996; Halme and Huse, 1997; Kolk et al, 2001; Patten, 1991; Roberts, 1992), and country of origin (see, for example, Adams et al, 1998; Adams and Kuasirikun, 2000; Belkaoui and Karpik, 1989; Buhr and Freedman, 2001; Cowen et al, 1987; Halme and Huse, 1997; Kolk et al, 2001).

The relationship between CSR reporting and other corporate characteristics than the ones mentioned above are somewhat less clear. In particular, the relationship with profit has been frequently tested in empirical CSR disclosure studies, and while several researchers have found no significant relationship (see, for example, Belkaoui and Karpik, 1989; Cowen et al, 1987; Hackston and Milne, 1996; Patten, 1991), others have found an inverse relationship (Alnajjar, 2000; Freedman and Jaggi, 1988) or a lagged relationship, whereby the level of CSR disclosure is related to financial performance in previous periods (Roberts, 1992). Stanwick and Stanwick (2000) have found evidence of a curvilinear or U-shaped relationship between the level of commitment expressed in environmental disclosures and company profitability, with the medium financial performers having the most extensive environmental information.

Gray et al (1995) have also summarized and discussed a considerable number of empirical studies of CSR reporting, and identified some tentative conclusions that can be drawn from these studies. In particular, Gray et al (1995) note that most of the hypothesized relationships between the extent of CSR reporting and various corporate characteristics are not sufficiently grounded in theory, and the empirical results are therefore difficult to interpret. Whilst the concern of Ullmann (1985) that empirical research into CSR disclosure is lacking in systematic theorizing has gradually been dealt with by researchers, it may be that the theories currently used to explain CSR disclosure are inadequate and insufficiently specified.

In their review, Gray et al (1995) identify three broad groups of theories that are frequently used to predict and discuss the results of empirical research: decision-usefulness studies; economic theory studies, and; social and political theory studies. Of these theories, the studies based on social and political theory, particularly stakeholder and legitimacy theory, have clearly been the most common in recent years, and have arguably resulted in the most fruitful explanations of CSR disclosure to date (see, for example, Brown and Deegan, 1998; Buhr, 1998; Campbell et al, 2003; Deegan and Gordon, 1996; Deegan et al, 2002; Gray et al, 1995; Guthrie and Parker, 1989; O'Dwyer, 2002; Patten, 1992; Wilmshurst and Frost, 2000).

Among the studies that have employed social and political economy theoretical frameworks, several have used field research strategies to engage the companies that disclose CSR information directly in search of factors and motives that explain such disclosure. These studies include postal surveys and personal interviews with company managers, with the intention of determining general attitudes towards CSR reporting as well as specific factors affecting the decision to disclose (see, for instance, Adams, 2002; Buhr, 1998; Deegan and Rankin, 1999; Larrinaga-González, 2001; O'Donovan, 2002; O'Dwyer, 2002; Solomon and Lewis, 2002; Wilmshurst and Frost, 2000).

These field studies of company managers' attitudes and motives have resulted in a fuller picture of the factors that influence CSR reporting. For instance, Adams (2002) has shown that the internal CSR reporting processes of companies, including the degree of

formality, the departments involved, and the extent of engagement of stakeholders, has an impact on the extensiveness and completeness of disclosure in a selection of British and German companies. In an Australian context, a study by Wilmshurst and Frost (2000) has indicated that the main influence on the decision to disclose environmental information was a belief that investors had a right to receive such information, while the response of competitors to environmental issues was not considered to have an impact on reporting behaviour. A similar study by Solomon and Lewis (2002) in the U.K. confirmed that the least important motive for disclosing environmental information was peer pressure from companies in the same industry, but the most important motive was an acknowledgment of the company's social responsibility rather than investors' information requirements.

An overarching motive for CSR disclosure appears to be a desire to improve the image of the reporting company and present it in a positive light. This motive was clearly stated in the interviews conducted by Adams (2002) and ranked highly in the Solomon and Lewis (2002) survey. Both O'Donovan (2002) and Larrinaga-González et al (2001) have also found evidence that a primary aim of CSR reporting is to shape stakeholders' perceptions of the company and its activities, and thus ultimately as a means to gain or maintain legitimacy. Contrary to these results, O'Dwyer (2002) claims that a number of Irish companies have experienced increased rather than decreased stakeholder scepticism as a result of CSR reporting, suggesting that simply improving such disclosures cannot help companies attain a state of legitimacy.

A number of influences on CSR reporting have been identified in the selection of research studies discussed above. Many of these studies have suggested and tested corporate characteristics, general contextual factors, and internal organisational factors that are thought to explain the volume, type and content of CSR disclosures by companies. Adams (2002) has summarised a considerable number of these factors in a contingency model of influences on CSR reporting, and offered an insight into the internal reporting processes of companies that disclose CSR information. The field study presented in this paper contributes some additional factors influencing CSR reporting and confirms several of the factors already identified by Adams (2002).

RESEARCH METHOD

The research results presented in this paper are based on semi-structured personal interviews with 20 senior managers in eight Swedish companies, six of which were in the forest products sector, and one company each in the chemical industry and electric utilities industry. All the companies were listed on the Stockholm stock exchange at the time of the interviews, and six of the eight companies were amongst the 130 largest companies listed on the so-called 'A-list' of the stock exchange in 1997. The other two companies were slightly smaller, but were included in the study in order to incorporate the complete set of six companies in the forest products sector listed on the stock exchange at that time.

The primary purpose of the interviews was to identify influences on the selected companies decision to disclose environmental information in their annual reports, and in some cases in separate environmental reports. All the interviews were conducted during

1997, and at that time the main focus in CSR reporting was on environmental issues, although the health and safety of employees was also addressed in some reports.

Five of the eight companies in the study had previously been identified as 'early adopters' of environmental reporting in a content analysis study of the 1990-96 annual and environmental reports of companies listed on the 'A-list' of the Stockholm stock exchange. These five companies also disclosed considerably more CSR information than their peers, both in terms of quantity and level of detail. The remaining three companies had for various reasons not been included in the content analysis study, but all had some form of environmental reporting. These companies were also members of the forest products industry, and so were included in the interview study in order to capture possible intra-industry variation regarding motives for CSR disclosure.

The selected companies were contacted via a letter explaining the purpose of the study addressed to the group environmental or CSR manager of the company. This first point of contact was chosen as it was clear from earlier experience that environmental and other CSR disclosures were almost exclusively handled by a company's environmental department, and so it was assumed that a representative of this department would be a suitable interviewee. The initial aim, however, was to interview one representative from each of the finance/accounting department, the communications department, and the environmental or CSR department, in all a total of three interviews per company. The reasoning behind this was that each of these departments was more or less involved in the production of environmental and other CSR information in the annual report, either in providing input to the report or in coordinating and publishing the report.

As it turned out, interviews with managers representing communications departments were only conducted at three companies, and interviews with finance or accounting managers were only carried out at five companies. On the other hand, a total of twelve environmental or CSR managers were interviewed, and in one case the CEO of the company was interviewed as he also functioned as the company's environmental and technical director. The interviewees' roles, the companies that they represent, and the volume of CSR disclosure in the companies' annual and separate CSR reports are displayed in Table I.

[Take in Table I]

The interviews were guided by a small number of open-ended questions relating to four broad issues: 1) Initiation of CSR disclosure, including discussion of possible influences affecting decision to start reporting CSR information; 2) Comments on present and future CSR reporting, including target groups identified and plans for future reports; 3) Design and contents of CSR reporting, including use of any reporting guidelines and consideration of dialogue with stakeholders; 4) Internal reporting process, including discussion of reporting policies, procedures and responsibilities. This list of issues and questions was sent to each interviewee a few days ahead of the scheduled interview to give the interviewees an opportunity to prepare for the interview.

All interviews were conducted at each company's headquarters, and the average length of the interviews was around one hour. The shortest interview lasted for approximately 30 minutes and the longest interview was over two hours. Most interviewees were

interviewed individually, but in some cases group interviews were conducted, for example when more than one representative of the company's environmental department took part in the interview. All interviews were recorded on tape and subsequently transcribed. The transcribed interviews were read through, occasional syntax errors were corrected, and the transcripts were then sent to the interviewees for verification. This process did not result in any significant changes to the interview data, although some interviewees offered additional comments pertaining to the research issues.

Interview analysis was an ongoing process both in the field and in the office for the duration of the study. The interview transcripts were analysed and summaries were prepared in search of possible themes in the interview material. Notes were also taken during the interviews and analytical reflections regarding interview results and common themes were recorded in a journal immediately after and in between interviews. The themes discovered in the course of analysing the interview results were to some extent organised with reference to the issues addressed in the interview guide, but themes relating to other issues were also recorded as necessary. The interview themes were summarised in matrices to help visually identify patterns in the material, and thus detect common influences on the companies' CSR reporting and other shared attitudes towards such disclosures. The interview themes are presented and discussed in the next section.

INTERVIEW RESULTS

As mentioned above, the interview results were organised into themes reflecting the interviewees' thoughts on specific issues discussed during the interviews. The primary purpose of the interviews was to identify factors that had been influential in inducing the companies to disclose CSR information in their annual or separate reports, but also why they had chosen to continue reporting. A secondary aim was to collect evidence of the managers' attitudes towards CSR reporting in general, for example the perceived benefits and costs of CSR reporting and the intended audiences of the CSR information. In this paper, the focus is on potential factors influencing the companies' CSR reporting, and thus only the themes that capture these factors are discussed in detail.

The thematic discussion that follows is an aggregate summary of the interview results and the response of each individual interviewee is not presented, although occasional quotations that are considered representative of a particular theme are given when appropriate. These quotations have been translated from Swedish by the author, and are included to add more depth to the presentation of interview results.

One of the major topics discussed in each interview was the identification of possible factors that were believed to have induced the interviewee's company to disclose CSR information, but also factors that may have influenced the further development of the company's CSR reporting. To some extent, this was a fairly naïve question as it would probably be quite difficult for an individual interviewee to isolate distinct factors that may have influenced an entire management team's decision to disclose information. Also, it became clear during the interviews, that in many cases there was no formal disclosure decision as such, and that the appearance of CSR information in the annual report was a gradual process over a number of years. However, for those companies that had launched separate environmental or CSR reports there was a clearly identifiable

publication that had been preceded by some form of internal discussion, and ultimately a decision to publish.

Public opinion and customer demands

All interviewees were in agreement concerning the relative importance of product market demands and public opinion rather than legal requirements as pressures on companies to act in an environmentally and socially acceptable manner. For instance, none of the interviewees believed that their respective companies had any problems fulfilling legal emission levels set in environmental permits or otherwise dealing with environmental authorities. However, if public opinion, fuelled by NGO campaigns, should choose to focus on a specific environmental or social problem, then there will be a direct impact on companies in the industry, which can be felt via changing consumption patterns and customer demands, all the way down the supply chain.

An example of the power of public opinion, which had recently affected several of the interviewees' companies in the forest products sector, was the debate concerning the benefits of chlorine-free paper. Starting as an NGO campaign in Germany, public opinion persuaded German publishers to demand totally chlorine-free (TCF) paper from their mainly Swedish suppliers, who in turn demanded chlorine-free pulp from the manufacturers, and so practically all companies in the forest products sector were ultimately affected. A common reaction in the industry was to deny that TCF-paper had a lower environmental impact than elemental chlorine-free (ECF) paper, which was the main paper product being produced by the industry at that time. Faced with the sudden change in consumer demand, several of the interviewees' companies had also attempted to 'educate' their customers (the publishing companies) on the relative merits of ECF-paper via their annual reports and separate environmental reports, feeling that "...the company should make its position clear" (Company B, Env2). In fact, most of the interviewees claimed that the need to communicate with the public, and particularly with customers, was an important factor influencing the launch of their companies' separate environmental reports, as exemplified by the following quote:

There is also a great interest from our customers, and this was an important starting-point in our first environmental report. We received an increasing number of questionnaires from our customers...and eventually this became too much work, so we thought that we needed to find some other means of communicating with them, at least to give them some basic information. This was an important reason for us to publish a separate environmental report (Company G, Env11).

Stakeholder interest and peer pressure

Perhaps as a consequence of the pressure from NGOs and public opinion, and thus also requirements from industry customers selling to end-consumers, several of the interviewees' companies sought to further develop their CSR communication. In some cases, the companies that had previously been accused of poor environmental performance made such substantial improvements that they won the respect of their former NGO critics. An example of this is the experience of Company A with their 'ecological report', which was in effect the published result of an internal ecological audit of company-owned forests. This audit, and the summary report, was widely acclaimed by NGO representatives, and the 'ecological report' later formed the embryo of the company's environmental performance report.

Other companies also experienced similar positive reactions from stakeholders and the media once they had started reporting on environmental and other CSR issues. One important influence on CSR reporting for many companies was the 'Environmental Reporting Awards' launched by one of Sweden's leading business journals, *Affärsvärlden*, in 1995. Several of the interviewees indicated that these awards had been highly influential in securing senior management's interest in CSR reporting, and they were prepared to develop their environmental reports, "in order to not lose points in future environmental reporting awards competitions" (Company G, Env11).

Several of the interviewees directly or indirectly identified the reporting activities of competitors as a factor that had affected their company's disclosure decision, for example with regard to the timing and type of disclosure. As an increasing number of companies, in the same industry and in general, were beginning to disclose CSR information in annual or separate reports, it was becoming apparent that this was a reporting trend that could not be ignored by the interviewees' companies. While some of the interviewees indicated that their companies had no desire to lead this reporting trend, they also did not want to lag too far behind, as illustrated by these quotes:

We saw how other companies in our industry started talking more and more about environmental issues in their reports, and we felt that we should follow the industry trend...so that we would not have to answer the question, 'why aren't you disclosing what everyone else is disclosing'? (Company D, Env5).

Another reason why we decided to publish a separate environmental report was that several other companies had produced such supplements to the annual report, and so we felt a certain pressure not to be perceived as less forthcoming (Company A, Env1).

Management support and centralised environmental department

Apart from the external pressures on the interviewees' companies to disclose CSR information, a number of internal factors or prerequisites for disclosure, were identified in the interviews. Amongst these was obviously the importance of senior management's support, which can be expressed indirectly in terms of allocating resources for developing CSR reporting, but also directly in connection with internal debates on the merits of disclosing CSR information in the annual report. In some cases, senior management's interest in environmental issues appears to have been central to the company's disclosure behaviour, for instance in company C, where the "...CEO initiated our internal discussions regarding environmental disclosure" (Env4). While it would most likely not be possible to publish CSR information if senior management opposed this type of disclosure, the fact that some managers actively supported CSR reporting clearly helped certain companies get started:

Well, I coordinate the environmental report together with the technical department...since I believed that we should have a group environmental report, I have been lobbying for this, and so I was the one who organised the first management meetings and discussions on the issue. Once we had decided to publish such a report, it then became my task to set the wheels in motion and to see to it that we actually produced a report...that could be sent out together with the annual report (Company E, Fin3).

Another significant internal factor that seems to have had an influence on the relative maturity of the companies' CSR reporting was the degree of centralisation of the environmental function in the group. It is clear from the interview material that it is the five companies with a group environmental or CSR department that have the most well

developed reporting, and all of these have chosen to publish separate environmental reports. In the other three companies (C, D, F), there was no formal environmental or CSR organisation at group level at the time of the interviews, and environmental issues were dealt with on an *ad hoc* basis by the technical or R&D department. Apart from the presence of a central environmental department, interviewees representing Company E claimed that the process of implementing and certifying environmental management systems at manufacturing sites throughout the group had helped them develop and see the need for a consolidated environmental report.

Prior reporting experience, corporate culture, and competitive advantage

As discussed earlier in this paper, most prior studies of voluntary CSR reporting have shown that industry membership is a significant variable explaining the level of such reporting. All of the companies in this study operate in environmentally sensitive industries, and yet there are noticeable differences in the apparent importance attributed to CSR reporting (as expressed by the relative volume of CSR disclosure displayed in Table I), even between companies in the same industry. While all of the companies studied have a legal obligation to annually report selected environmental performance indicators to the authorities, and so have had some previous experience of environmental reporting, certain companies have opted to go a step further. In particular, interviewees representing companies A and F indicated that individual divisions within their companies had chosen to publish separate environmental reports well ahead of the rest of the group, and these reports had been well received by stakeholders. Evidently, there are factors affecting the level of CSR reporting even within the same company, and in this case it seems that the positive reporting experience of the divisions was an important stimulus in the development of group CSR reports.

A company's 'corporate culture' is frequently used in management research as a kind of residual justification when other explanations are not quite sufficient. In this study, however, a number of interviewees explicitly stated that they believed that a proactive stance on environmental and other CSR issues was part of their company's tradition or culture (Company G, Env10) and that management and communication of environmental issues was key to their company's survival (Company B, Env2). Another aspect of corporate culture suggested by some interviewees was a company tradition of 'openness' or transparency and a willingness to adopt accounting and reporting innovations:

We have a long tradition of openness in our annual report, certainly regarding financial information. We are under the scrutiny of many groups representing various social interests, and this has led to an open approach in all our external reporting. We were among the first to adopt current cost accounting and value added statements...and for us reporting on environmental issues is as natural as having transparent financial reporting (Company H, Fin5).

A final factor mentioned directly or indirectly by several of the interviewees was the role that CSR reporting could play in helping their companies gain a competitive advantage. While several interviewees referred to the importance of managing environmental issues and communicating environmental management to external publics, some of them also indicated that the environmental report in itself could actually yield business opportunities, and thus contribute to the company's profitability.

This was articulated in different ways, including a refusal to discuss future plans for the environmental report because “this report is a competitive advantage” (Company B, Com2) as well as a belief that “being well ahead in this respect will give us better business opportunities” (Company G, Env10).

Summary of factors influencing CSR reporting

From the discussion above, it is clear that there are a number of possible factors that appear to have influenced the interviewees’ companies CSR disclosure. The factors identified during the course of the interviews are summarised in Table II, along with the companies to which the interviewees that have mentioned the factors belong. Some of the factors (F1 – F4 in the table) influencing the companies’ CSR disclosure are primarily of an external nature, in the sense that they represent pressures on the companies arising from groups that are external to the organisation. These factors are in line with the corporate characteristics and general contextual factors suggested by prior studies and discussed earlier in this paper. The other influences on CSR reporting identified in this study (F5 – F10 in the table) can be characterised as internal organisational factors attributable to the people, policies and processes within each company.

[Take in Table II]

DISCUSSION AND CONCLUSIONS

The previous section presented several potentially important factors influencing CSR reporting in eight Swedish companies. These factors were identified via personal interviews with managers in the selected companies. As the sample of companies is quite small and not necessarily representative of Swedish industry in general, care should be taken in interpreting the results for other companies than the ones studied. Nonetheless, the results indicate that CSR disclosures are influenced by several factors, including general and firm-specific contextual factors, and more particularly, internal organisational factors.

The results of the study suggest that a significant influence on the decision to disclose CSR information is the level of pressure from external stakeholders experienced by company management. In some cases, CSR disclosure is a consequence of a direct request for information from customers or investors, but more frequently there is a perceived ‘public opinion’ regarding CSR issues which provokes or stimulates the companies’ managers into disclosing their view on these issues. This confirms the findings from Adams’ (2002) study, in which the interviewed representatives of British and German pharmaceutical companies all emphasised the importance of public pressure as the main motive for starting and developing CSR reporting.

In a Swedish context, the pressure resulting from the reporting activities of competitors appears to be as important as public pressure, and it is obvious from the interviews that managers are actively monitoring their counterparts in other companies, both in the same industry and in other companies on the Stockholm stock exchange. Interestingly, this finding contradicts the results of both Wilmshurst and Frost (2000) and Solomon and Lewis (2002), who found that Australian and U.K. managers did not consider peer pressure to have any influence on the reporting behaviour of their companies.

The importance attached to the opinions of external stakeholders by the interviewed managers may be interpreted using a framework based on legitimacy theory and stakeholder theory, whereby CSR reporting is viewed as a strategic tool for building and maintaining legitimacy and good relations with key stakeholder groups. With a neo-institutional perspective on legitimacy, CSR reporting may also be understood as a form of 'isomorphism' (DiMaggio and Powell, 1983), with an increasing number of companies choosing to disclose CSR information because it is the norm or what is expected of responsible companies of a certain size in certain industries. The impact of peer pressure and the apparent importance of environmental reporting awards are factors that contribute to the diffusion of CSR reporting among listed companies, effectively institutionalising this form of disclosure, even in the absence of any formal CSR reporting regulations.

While general corporate characteristics such as industry and size have been able to explain CSR reporting behaviour to some extent, specific contextual factors such as companies being challenged by NGOs or pressured by customers are apparently also important reasons for initiating CSR reporting. The relatively strong pressure exerted by NGOs and customers may be particular to Sweden or to the forestry industry to which most of the interviewees' companies belong. However, the Irish managers interviewed in O'Dwyer's (2002, p. 416) study also emphasised industry-specific legitimacy threats, and strongly believed that "...the capacity of any external pressure to impact negatively on a company's economic wellbeing was enhanced by the nature, particularly the small size, of Ireland's social, political and economic environment". Sweden also has a comparatively small economy and socio-political arena, and it is conceivable that the perceived intensity of legitimacy threats is dependent on the relative size of the society in which they occur.

In studying both British and German pharmaceutical companies, Adams (2002) explicitly addresses the impact of country-specific factors on managerial attitudes to CSR reporting. O'Dwyer (2002) considers the specific national and cultural context of Ireland in presenting the views of Irish managers on the motivations for CSR reporting. In a similar vein, the study reported in this paper identifies influences on CSR reporting in a Swedish context, permitting comparisons with the results reported by both Adams (2002) and O'Dwyer (2002). For instance, like the German managers in Adams' (2002) study, the Swedish managers noted that a substantial amount of particularly environmental information was readily available to them due to requirements from authorities¹. Furthermore, like the German managers, the Swedish managers felt that they were at a competitive disadvantage with other European companies due to the relatively high level of environmental regulation in Sweden. In more than one case, this frustration with the Swedish environmental legislative requirements was said to have influenced the contents of the CSR report, and a number of managers identified politicians as a significant audience for their companies' reports.

The Irish managers interviewed in O'Dwyer's (2002) study were convinced that there is an innate cynicism in Irish culture, which causes the intended audiences of CSR reporting to question the motives and usefulness of such reports. Some of the companies had apparently concluded that it was futile to use CSR reporting as a tool for enhancing corporate legitimacy and had consequently ceased to publish CSR reports. While the Swedish managers, like the Irish managers in O'Dwyer's (2002) study and the British

managers in Adams' (2002) study, foresaw a risk that CSR reporting could lead to an increased exposure and greater expectations on future performance, they did not express any concern that stakeholders were cynical regarding corporate motives for reporting. This may be because Swedish society does not tend to display the same distrust of large corporations and business motives as seems to be the case in Ireland and the U.K.

Besides general contextual factors, such as the social, political, and cultural context, this study also supports Adams' (2002) findings that internal organisational factors are significant in explaining differences in the way companies react to external pressures. In this study of Swedish companies, management support and a centralised environmental organisation in particular seemed to affect the approach taken to CSR reporting, and possibly also the ease with which a CSR report can be compiled. It is evident from the study that the companies with centralised environmental or CSR departments had the most extensive CSR reports, but the level of centralisation does not seem to be directly associated with the size of the company or the industry to which it belongs. Adams (2002) found evidence of conflicts between environmental and communications departments regarding the contents and style of CSR reports in some of the companies studied. This also appeared to be the case in some of the Swedish companies, for instance in situations where the communications department wanted the CSR report to function as a marketing tool, but this was opposed by members of the environmental department who preferred a more factual report.

Other influences on CSR disclosures originating from within the company include prior experience of CSR reporting in some division or a particular product line, as well as the general attitude towards various CSR issues as expressed in the 'corporate culture' of the company. Adams (2002) also discovered that corporate culture had an influence on CSR reporting, and that there was a "...collective programming of minds', which was rather different across companies..." (p. 244). While it is difficult to assess the impact of elements of corporate culture on CSR reporting, it seems plausible that a more proactive and open stance on environmental and other CSR issues is likely to be conducive to a more developed form or earlier initiation of CSR reporting.

The study reported in this paper shows that there are a number of both general and firm-specific contextual factors, as well as internal organisational factors influencing CSR reporting. Some of these factors are similar to the influences on CSR reporting identified by Adams (2002) in her study of British and German companies, while others seem more specific to the Swedish context. Taken together, the factors help explain why and how a certain CSR disclosure output is generated, and thus contribute to our understanding of such disclosure. Prior research has tended to rely on economic and socio-political theories of reporting behaviour, including legitimacy theory and stakeholder theory, and to some extent the factors identified in this study support all these theories. Future research could attempt to discover additional factors influencing CSR reporting or confirm the importance of the factors discovered in this study in other companies and countries.

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TABLES

Table I. List of interviewees, their roles, and volume of CSR disclosure in company reports

| Company | Role of interviewee | | | CSR disclosure volume ^{1), 2)} |
|----------------------|---------------------|----------------|---------------|---|
| | Finance | Communications | Environment | |
| Forest Products (A) | - | Com1 | Env1 | 3.90 |
| Forest Products (B) | - | Com2 | Env2 & Env3 | 6.00 |
| Forest Products (C) | Fin1 | - | Env4 | 0.32 |
| Forest Products (D) | Fin2 | - | Env5 | 0.58 |
| Forest Products (E) | Fin3 | - | Env6 & Env7 | 3.01 |
| Forest Products (F) | - | - | Env8 & Env9 | 0.52 |
| Chemicals (G) | Fin4 | - | Env10 & Env11 | 2.75 |
| Electric Utility (H) | Fin5 | Com3 | Env12 | 3.81 |

Notes:

¹⁾ Measure of relative quantity of CSR (mainly environmental) information disclosed in annual and/or separate reports in 1996 (the year preceding the interviews). The figure is an index indicating the volume of disclosure (in terms of number of pages) in relation to the average volume for 76 companies listed on the Stockholm stock exchange disclosing such information.

²⁾ Companies A, B, E, G, H have separate environmental or CSR reports, which explains the large volume of CSR disclosure. Companies C, D, F only report CSR information in the annual report.

Table II. Summary of factors identified by interviewees from each company

| Company | Factors identified as influencing CSR disclosure | | | | | | | | | |
|---------|--|----|----|----|----|----|----|----|----|-----|
| | F1 | F2 | F3 | F4 | F5 | F6 | F7 | F8 | F9 | F10 |
| A | • | | • | • | • | • | | | • | |
| B | • | • | • | | • | • | | • | | • |
| C | | | | | • | | | | | |
| D | | • | | • | | | | | | |
| E | • | • | • | • | • | • | • | • | | • |
| F | • | • | | • | | | | | • | |
| G | • | • | • | • | | • | | • | | • |
| H | • | | • | • | • | • | | • | | |
| Total | 6 | 5 | 5 | 6 | 5 | 5 | 1 | 4 | 2 | 3 |

Notes:

F1 = Public opinion; F2 = Customer demands; F3 = Stakeholder interest; F4 = Peer pressure; F5 = Management support; F6 = Environmental department; F7 = Environmental management system; F8 = Corporate culture; F9 = Reporting experience; F10 = Competitive advantage

¹ Since 1989, the manufacturing sites of all Swedish companies requiring environmental permits for their operations are also required to submit an annual environmental report to the local authorities. This report is mainly of a technical nature, containing environmental performance data related to e.g. the specific emission limits applicable to the site.