Drivers of corporate social responsibility reporting; Case studies from three reporting companies

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ABSTRACT

The number of Corporate Social Responsibility (CSR) reports has increased significantly over the past thirty years. There are various reasons for the increase in reporting. Some companies use their reports to improve their brand or to satisfy stakeholder needs. Others are required to issue reports for legislative reasons.

A literature review is performed to examine the significant research that has focused on the drivers of CSR reporting, followed by a more detailed analysis of three reporting organizations. Interviews were conducted with key personnel and a review of their CSR initiatives was also performed.

Past research cited several reasons companies issued reports, but it does not tell the whole story. These three individual case studies demonstrate the importance of the primary determinant behind an organization's decision to issue a CSR report. This finding can provide valuable information for further studies that deal with the promotion, diffusion, and harmonization of CSR reporting.

KEY WORDS: Corporate Social Responsibility, CSR Reporting, Drivers, Social Responsibility, Environmental Accounting, Sustainability Reporting, Triple Bottom Line Reporting

1. Introduction

The reporting of specific social and environmental issues has been performed by corporations since the start of financial reporting. Environmental reporting has long been required for regulatory purposes, and social and environmental issues, such as material costs of regulatory compliance and probable litigation losses have been disclosed even in early corporate annual reports. However, in the past thirty years there has been a public push for increased social and environmental information, specifically in developed countries such as the U.S., Canada, Australia, Japan, and in Europe. This increased need for corporate accountability was caused by numerous factors; increased public awareness, stakeholder pressure, and social concerns over practices such as sweatshop labor and environmental disasters.

There were similar public concerns about environmental problems in the late 1960s (Mikesell, 1974). There was a claim that technological advances and the consequent rapid depletion of resources lead to a demand for more accountability (Johnston, 1979). Non-Government Organizations (NGOs) and activist groups, such as Greenpeace and Save the Children, have been pushing companies to be accountable for their environmental and social records since the 1960s. By the early 1970s companies started to implement social and environment goals and report their findings, and about that time the term CSR was introduced. At the same time there was a concerted effort to focus on issues of environmental management, with particular emphasis on its economic aspects and on society's response to environmental hazards. However, many of these early efforts failed due to the lack of common standards for content, measurement, and reporting format.

The 1970s into the early 1980s represented the first phase of CSR reporting marked by "greenwash" reports and eco-marketing campaigns that included little in the way of substance. In the late 1980s the impact of corporations beyond shareholders was being viewed with greater concern and the term "stakeholder" was introduced (Marlin and Marlin, 2003).

In the early 1990s CSR reporting resurfaced for a variety of reasons (Roberts, 1991; Stittle et al., 1997; Kolk, 1999; Ljungdahl, 1999; Cormier and Gordon, 2001; Cerin, 2002). This followed earlier trends of using social and environmental disclosures in annual reports to manage public opinion and appease shareholders (Patten, 1992; Blacconiere and Patten, 1994; Neu et al., 1998). But then the information became more quantifiable and verifiable. In the late 1980s and early 1990s a second phase of CSR reporting was entered into with more substantive reports being issued by the Body Shop, Shell Canada, and Ben & Jerry's (Marlin and Marlin, 2003).

This led to the third stage of modern CSR reporting which involves a multi-stakeholder approach (Marlin and Marlin, 2003). This stage involves investors and environmentalists that rely on CSR reports for different yet complementary reasons, and the reporting and assurance organizations that bring the needed credibility to CSR reports. One of the main reasons the CSR movement came back in the mid1990s was the rise of socially responsible investing. Stakeholders with social and environmental concerns now had a stronger voice. They used this leverage to demand more accountability from the companies they invested in.

This article examines the modern age of CSR reporting by examining the key drivers responsible for the increased level of reporting. A literature review is performed to examine the significant research that focused on the drivers of CSR reporting at the start of the modern era. This is followed by a more detailed analysis of three specific reporting companies. Interviews were conducted with key personnel. A review of their CSR reports and other CSR initiatives was also performed. Finally a comparison is made between the reason these three companies issued CSR reports and the drivers of CSR reporting cited in recent literature. The goal of this article is to add to the prior research in this area that can be used for related research that deals with the promotion, diffusion, and harmonization of CSR reporting.

2. Drivers of CSR Reporting

The purpose of CSR reporting is to provide useful information to stakeholders, which will in turn result in improved social and environmental conditions as stakeholders reward corporations for good performance and punish or put pressure on those with bad performance. The growing demand for CSR reporting yields evidence that the information provided is valued. The increasing number of reporting mechanisms, most of which involve a high degree of stakeholder influence, and increasing number of companies issuing reports provides evidence that CSR reports are providing useful information and fulfilling stakeholder needs to some extent. Different organizations are taking different voluntary approaches. Some organizations want to make sure their supply chain is socially and environmentally responsible. That is the primary purpose behind many of the CSR certifications, such as SA8000 and ISO certifications. Social and environmental accountability by investors and consumers is growing, thus the need for external CSR reporting standards. CSR reporting standards are often included in the selection criteria of CSR and Sustainability funds. Stakeholders have direct input in the reporting standards of the AA1000, Global Reporting Initiative (GRI), ISO 26000, and most other standards. This all provides evidence the reporting standards are providing useful information. However, it is difficult to test, and there is limited research on, the actual causality between CSR reporting and corporate social and environmental performance. Just because the information is useful does not necessarily mean social and environmental conditions will improve. The market based influence of CSR reporting can be debated, but the increase in the level of CSR reporting is undeniable. This article considers research conducted over the last fifteen years that attempts to explain why corporations are adopting CSR reporting practices.

Several studies looked at the drivers behind CSR reporting during the modern age of reporting in the 1990s. CSR reports were created to comply with regulations, reduce costs, and improve brand image. The common reasons for issuing reports cited in earlier research include; compliance, cost savings, marketing, competitive advantage, and a sense of social responsibility. Table 1 summarizes the findings of these early studies in the 90s.A more focused empirical study by Idowu and Papasolomou examined the drivers of CSR reports being issued by UK companies (2007). They concluded on five primary reasons companies issue CSR reports; Corporate reputation, Stakeholder pressure, Economic performance, Genuine concern, and Broad social/cultural reasons. The results in Table 2 support previous literature.

One of the most comprehensive studies on CSR reporting practices in the last decade is the KPMG International Survey of Corporate Responsibility Reporting issued in 2002, 2005, and 2008. Included in these studies KPMG surveyed the 250 largest global corporations (G250) to determine what drove their CSR initiatives. The findings each year are included in Table 3. The results concluded on similar drivers as in prior research, but now offereda more quantitative comparison going forward.

Efforts to promote and diffuse CSR reporting have increased more recently. In 2010 the International Standards Organization (ISO) issued the ISO 26000 standard which includes a reporting component. At the end of 2011 the Sustainability Accounting Standards Board was created to help integrate CSR information into the annual reports of US corporations. The prior research discussed provides great descriptive categories as to why companies disclose CSR information, however this article can add to prior research by providing a more in-depth analysis by focusing on the reporting of three different entities.

3. Case Studies

To expand on previous research this article focuses on CSR reporting initiatives of corporations. By conducting more detailed analysis through a case study approach, as opposed to a more general “check the box” type of research required by prior research with large sample sizes, these findings will add to the prior research on the drivers of CSR reporting.

These case studies involved interviews with representatives from three companies that issue CSR reports. The interviews were conducted with the representatives listed in Table 4.In addition to the interviews with a company representative, site visits were conducted if possible and a review of their CSR reports and other CSR initiatives was conducted.

These companies were selected because they are in both developed and developing nations. The three companies represent a broad range of industries (a large global manufacturing company, small regional manufacturing company, and a service company) and type of company (public company, private company, and government owned). The interviews with Export Development Canada (EDC) and EtiquetasImpresasEtipres S.A. (Etipres) were face-to-face interviews in Ottawa, Canada, and San Jose, Costa Rica respectively. The interview with Etipres involved a comprehensive tour of the facilities and discussions with line workers and management. The interview with EDC involved a limited site visit in addition to the interview. The interview with Philips do Brasil Ltda. (Philips-Brazil) was a telephone interview because thetrip to Brazil was canceled at the last minute and could not be rescheduled. All the interviews lasted about forty-five minutes each.

The primary goal of the interviews with the company representatives was to obtain first hand experiences to compare to the secondary information obtained. The goal was to learn why their companies chose to issue a CSR report. It was also important to learn how they engaged their stakeholders to determine what information was relevant and how they selected their method of reporting. The participants were all asked the same questions, but different follow up questions were asked based on their responses. In addition it was important to review their CSR reports for additional information on the process.

The interviewswith the three companies that issued CSR reports provided a unique insight into why companies make the decision to adopt CSR reporting practices. They provided evidence as to the resources it takes to issue a report and the resources that are lacking that may prevent other companies from reporting.

3.1 Philips doBrasil Ltda.

Philips-Brazil is a subsidiary of Royal Philips Electronics (Philips) of the Netherlands. Philips is a global leader in lighting, healthcare, and consumer products. Philips operates in about 150 countries has over 115,000 employees including over 4,000 in Brazil.My interview with Philips-Brazil was conducted with FlaviaMoraes. Ms. Moraes is the Regional Sustainability Officer of Latin America for Philips. Philips-Brazil issued a CSR report in 2010 following the G3 guidelines of the GRI. The 2010 report met the criteria for a B application level (A+ being the highest). The 135 page report was available in English and Portuguese. The 2010 report was verified by the external consulting organization Business and Social Development Brazil. In addition to the GRI, Philips-Brazil joined the UN Global Compact on May 5, 2007 and issued a Communication on Progress report in 2010.

The CSR movement at Philips-Brazil is a direct result of the vision of its parent company in Holland. Philips promotes their product lines as being a sustainable solution to addressing the energy and healthcare issues facing society. Philips-Brazil's CSR report used the GRI's G3 guidelines as a framework to follow. This was done by the direction of Philips who has taken similar reporting steps since 2002. However, as General Manager for Sustainability in Latin America, FlaviaMoraes faces some different issues of CSR than what is being addressed by Philips. For example, while Philips is a publicly traded company and included in the Dow Jones Sustainability World Index, the stakeholders in Latin America are not as vocal or influential to the CSR activities of Philips-Brazil, and therefore the dialogue with this group is not as strong as it is in Europe.

Being part of a large MNC, Philips-Brazil has the resources to identify stakeholder needs, collect data, and issue their external reports. They view it as more of an investment than a cost of doing business. While they do get direction from Philips, they do not receive any help or resources from the local government. Ms. Moraes believes that "the movement towards CSR reporting by small and medium sized companies in her country will be a slower process because of the costs involved, lack of resources (internal and external), and that they are scared of being too transparent to society and that would ruin their reputation." Philips-Brazil has access to more financial and human resources than smaller companies in their country. In addition, Philips-Brazil receives assistance from the GRI which helps them classify and rank their report. Small or medium sized companies may have more difficulties because they may not have a parent company providing the resources, such as technology, information, and leadership that help in the reporting process. Through my discussion with Ms. Moraes, the primary reason for issuing a report was for compliance with a requirement established by the parent company. The report appeared to be issued more out of need than want.

While the requirement to issue a CSR report came from the parent company, there were pressures domestically that influenced their reporting practices. According to Ms. Moraes the main stakeholders of her company are the Government, NGOs, media, and academics. She stated "if we want to do a social investment in Brazil, we have to have a partnership with the Government, otherwise we don't have the scale, we don't achieve many people. So I would say the Government is the most important one (referring to external stakeholders)." In addition Ms. Moraes expanded on how several social NGOs and environmental NGOs, such as Greenpeace and the World Wildlife Federation, have influenced their decision making and reporting processes. She described how important the process was of using their CSR reports as a way to communicate their vision to the media and NGOs, and how they act as a business tool to enhance their reputation in the community and with the Government. This supports prior research that there are often numerous reasons for issuing a report.

3.2 EtiquetasImpresasEtipres S.A.

Etipres is a small privately owned company in San Jose, Costa Rica that makes product labels for consumer goods. Etipres employs over sixty people and they make labels for over forty different products. My interview with Etipres was conducted with Ricardo Castro who is the Quality and Environmental Manager. Etipres issued a CSR report in 2005 following the 2002 CI – Context Index guidelines. The Context Index shows users where they can find data on responses to the disclosures in the 2002 GRI Guidelines. The twenty two page CSR report from Etipres was not verified by a third party. They have not issued a GRI report since then. However on November 18, 2010 they joined the UN Global Compact and are due to issue a Communication on Progress report by November 18, 2011.

Without the financial backing of a large parent company or their government Etipres was still able to issue a CSR report. The General Manager at Etipres still believed the investment was worth it, for both humanitarian and financial reasons. The lack of financial and institutional resources are used as common arguments as to why the spread of CSR reporting has been slower in developing countries. Mr. Castro was quick to point out that this does not have to be the case. As a small company in a developing country, Etipres was able to issue a CSR report with little additional costs. According to Mr. Castro, most of the information in their CSR report was already being gathered for internal decision making purposes or external regulatory purposes and they received assistance from the GRI on how to properly communicate the information. The additional costs of organizing the information following GRI standards were insignificant compared to the benefits of building a good reputation at home and abroad. Etipres followed the GRI's High 5! manual, which is a simple "How to" manual designed for small and medium sized companies wishing to implement GRI standards. The High 5! is a step by step implementation guide developed using the experiences of the small and medium sized companies that have issued GRI reports. Mr. Castro does believe that the lack of government support and lack of forward thinking businesses in his country prevent the voluntary adoption of CSR reporting by other countries. He believes companies will continue to resist until they can see the long term benefits.

The primary reason Etipres issued a CSR report was because of the direction of its management. At Etipres, the CSR movement was the inspiration of Manuel Grynspan , General Manager. Mr. Castro stated that "Mr. Grynspan's goal of issuing a CSR report was to make the company more transparent to society, the community, the country and other companies." In conversations with several employees at Etipres it was evident that the company had a positive reputation in the local community. The employees felt privileged to work for this company; both in terms of how they treated their workers and how they gave back to the local population. The CSR report issued by Etipres is primarily focused on the humanitarian projects the company has overseen, such as providing supplies to local schools and senior citizen homes, and their sponsorship of local construction projects. Some environmental issues are addressed, but social issues dominate the report. The use of the GRI report has helped Etipres communicate their charitable actions and relatively progressive labor standards. This has helped them build a strong reputation at the local level which they hope to expand as they try to enter new foreign markets, including El Salvador, Puerto Rico, Dominican Republic, and possibly the US. Management viewed CSR reporting as a tool to spread its message of sustainability and community service. It also viewed its CSR report as a way to differentiate itself from its competition and to enter new markets.

3.3 Export Development Canada

EDC is a crown corporation owned by the Government of Canada that operates on commercial principles. EDC is Canada's export credit agency, providing financing, insurance, and risk management services for Canadian exporters. The EDC has over 1000 employees and facilitated $84.7 billion in exports, investments, and domestic support in 2010. My interview was conducted with Yolanda Banks, the Senior Corporate Social Responsibility Advisor at EDC. EDC issued their seventh annual CSR report in 2010 following the GRI's G3 guidelines which met the criteria for a B+ application level. The sixty page CSR report was available in English and French and was externally reviewed by PricewaterhouseCoopers LLP.

As a government organization the resources available to EDC from the Canadian government are substantial. The Canadian government is more sensitive to issues of transparency and social responsibility than the average business. Other businesses in Canada may not use the same amount of resources, especially if there is no demand for such information. The primary reason the EDC issued a report was because it was required by the Canadian government.

EDC has issued a CSR report at the direction of the Canadian Government. As a Crown corporation the Canadian Government has strong influence on the content of the EDC's CSR report. According to Ms. Banks the Auditor General reviews the EDC annually and a special examination is conducted every five years on CSR related issues. In addition a legislative review is conducted by the Government every ten years. The other important stakeholders in their CSR reporting process are non-governmental organizations (NGOs). The EDC is in constant communication with several NGOs who closely monitor their business deals. The NGO may provide comments or recommendations at a national level, or if the EDC offers financing to a company, for a mining operation for example, NGOs may express their concerns at the local project level. In addition, NGOs comment on the final CSR report after it is issued, and makes broad recommendations for future years.

The case study with EDC provides a good example of why a company adopted CSR reporting to address the needs of both internal and external stakeholders. Internally, they used their CSR report to both motivate and inform their employees, and to meet the broader concerns of the government since they are a government owned organization. Externally, they use their CSR report to give assurance to the citizens of Canada that government financed and supported project are meeting acceptable social and environmental standards.

4. Conclusion

The primary reason each of these organizations issued a CSR report was because there was a primary driver behind the decision. For EDC it was the government, Philips-Brazil the parent company, and for Etipres it was their owner. These primary drivers all decided that the resources needed to issue a report were worth the financial costs.

The interviews showed that the business case had to be made to companies in order for them to considerissuing a CSR report. Prior research showed that companies that issued CSR reports were often motivated by the desires or concerns communicated by specific stakeholders. These drivers could be an owner, parent company, government, or a concerned external stakeholder group. Once a market for this information was demonstrated companies would consider the economic impact of reporting.

Each reporting company has their own motivation for issuing their report. The driving force can come from one or many different sources. Since many of these forces are internal, the business culture, as it relates to issues of CSR, plays a key role in the decision to report. And while cost is also an important factor in the decision to report, even small companies can do so without it being a financial burden (Willard, 2002). What is more important is that companiescan become educated on the costs and benefits of reporting and how to create a report more efficiently and effectively to achieve their goals.

This research adds to the prior research on the drivers of CSR reporting by highlighting the significance that there is often just one primary reason companies issue a CSR report. Past research cited several reasons, which is accurate, but it does not tell the whole story. These three individual case studies demonstrate the importance of the primary determinant behind an organization's decision to issue a CSR report. Resources can be allocated more efficiently based on the importance given to the primary driver. This finding can provide valuable information for further studies that deal with the promotion, diffusion, and harmonization of CSR reporting.

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Appendix:

Table 1
Reasons for Issuing CSR Reports

Literature	Reason
Dechant*et al.*, 1994 Ghobadian*et al.,* 1995 Porter and van der Linde, 1995 Shrivastave, 1995 Hart and Ahuja, 1996 Ghobadian*et al.,* 1998 Dias-Sardinha and Reijnders, 2001 Rivera-Camino, 2001	Comply with regulations
Howard *et al.,* 1999 King and Lenos, 2000	Comply with industry environmental codes
Shrivastava, 1995; Russo and Fouts, 1997 Esty and Porter, 1998; Reinhardt, 1999	Decrease operating costs
Stafford, 1996 Berman *et al.,* 1999 Cormier and Magnan, 1999 Henriques and Sadorsky, 1999 Reinhardt, 1999 Waddock and Graves, 2000 Rivera-Camino, 2001	Improve stakeholder relations
Bowen, 2000	perceived environmental visibility of the firm
Hart, 1995 Shrivastava, 1995 Reinhardt, 1999 Bansal and Roth, 2000	A sense that such improvements will result in competitive advantage
Bansal and Roth, 2000 Sharma, 2000	A sense that without active environmental management the firm's legitimacy is in question
Hussain, 1999 Bansal and Roth, 2000 Cordano and Frieze, 2000 Flannery and May, 2000	A sense of social responsibility and desire to adhere to societal norms

Information was summarized from the article "Scoring corporate environmental and sustainability reports using GRI 2000, ISO 14031 and other criteria" (Morhardt, Baird, and Freeman, 2002).

Table 2
Reasons Companies Issue CSR Reports

Corporate reputation	Stakeholder pressure	Economic performance	Genuine concern	Broad social/cultural
To provide a more rounded picture of the company	To inform stakeholders	To meet best practice in company reporting	To ensure that employees are aligned to company's targets	To demonstrate an open management style
To meet best practice in company reporting	To provide a more rounded picture of the company	To derive CSR's positive public relations benefits	To demonstrate an open management style	To reflect the importance attached to CSR by the company
To derive CSR's positive public relations benefits	To satisfy disclosure requirements of major stakeholders	To satisfy disclosure requirements of major stakeholders	To reflect the importance attached to CSR by the company	To uphold its core values, to act as corporate conscience
To reflect the importance attached to CSR by the company	To align with the request of the current government	To ensure that employees are aligned to company's targets	To demonstrate to stake holders that non-financial issues are also important	To continue the culture which its founder started at the inception of the company
To demonstrate to stakeholders that non-financial issues are also important	In response to questionnaires to be completed for tenders and government departments	In response to questionnaires to be completed for tenders and government departments	To act an impetus to challenge its existing practices	To demonstrate that its senior managers are from a culture which strives to strike a balance between the needs of its shareholders and that of other stakeholders
To strengthen corporate reputation				

This Table was obtained from page 144 of the article "Are the corporate social responsibility matters based on good intentions or false pretences? An empirical study of the motivations behind the issuing of CSR reports by UK companies" (Idowu and Papasolomou, 2007).

Table 3 Drivers of CSR		
Driver	**2005 %**	**2008 %**
Economic considerations	74	68
Ethical considerations	53	69
Innovation and learning	53	55
Employee motivation	47	52
Risk management or risk reduction	47	35
Access to capital or increased shareholder value	39	29
Reputation or brand	27	55
Market position (market share) improvement	21	22
Strengthened supplier relationships	13	32
Cost saving	9	17
Improved relationships with governmental authorities	9	21
Data of G250 obtained from page 18 of the KPMG “International Survey of Corporate Responsibility Reporting 2008” (KPMG, 2008).		

Table 4 Interviews with Company Representatives			
Company	Country	Representative	Position
Philips do Brasil Ltda.	Brazil	FlaviaMoraes	Regional Sustainability Officer of Latin America
EtiquetasInpresasEtipres S.A.	Costa Rica	Ricardo Castro	Quality and Environment Manager
Export Development Canada	Canada	Yolanda Banks	Senior Corporate Social Responsibility Advisor