Corporate Responsibility Reporting of the Largest Forest Industry Companies in North America

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This exploratory study aims to analyze the CR reporting by eleven largest forest products companies in North America. Both annual reports and sustainability reports produced in year 2006 by eleven largest forest products companies in North America were chosen for this very study. To ensure the comparability of the results, the study adopts the similar variables in operationalizations by Routto (2008), who studied the CR reporting of European forest products companies. The methodology applied in the study is content analysis. Mean, T-test and One-way Anova analysis were used in data analysis.

Though all the three pillars of CR (economic, environmental, and social) were covered in their CR reporting, the North American companies seem to give more weight to Social Focus, followed by Economic Focus and Environmental Focus respectively, whereas the largest European companies considered Environmental Focus as the most important area, Social Focus the second, whereas Economic Focus was least emphasized.

A number of notable differences and similarities between the European companies and the North American companies towards CR reporting were also identified. For example, the North American companies obviously seek for more efforts to co-operate with interest groups and business partners to ensure responsible actions than the European companies. The European companies emphasize energy consumption more frequently than the North American companies. Neither the European companies nor the North American companies perceived environmental welfare at the expense of corporate profits an important element concerning Economic Focus. It would be interesting to note that neither the European companies nor the North American companies considered Environmental Focus as the most important area, Social Focus the second, whereas Economic Focus was least emphasized.

The study also observes some variation of CR practices within a common industrial and cultural environment. The results suggest that the US companies seem to particularly emphasize a number of issues more than the Canadian companies, namely: 1) Business behavior; 2) Social principles & guidelines; 3) Internal communication; 4) Social focus; 5) External communication; and 6) Audience. No significant difference was found concerning Social & ethical accounting and Economic focus between the US companies and the Canadian companies. Sector of Integrated forest products placed notably much more weight on Social & ethical accounting than Sectors of Consumer products and Sector of Pulp & paper & packaging in this study, whereas no other significant difference was indicated by the pair-wise comparison of means between Sector and the nine summative variables respectively. In addition, sustainability reports seem to have much clear focus on environmental-related issues than annual reports, whereas issues concerning Social Focus and External Communication received more attention in annual reports than in sustainability reports. No further significant difference was suggested between Type of report and the nine summative variables in this study.

In short, the comparison between the reports by North American companies and those by the European companies showed some regional variations in CR reporting. These regional characteristics include 1) the emphasis on Social Focus by North American companies, and Environmental Focus by European companies; 2) the emphasis on partnership by North American companies, and workplace safety by European companies; 3) the emphasis on employees' benefits by North American companies, and customers' benefits by European companies; 4) the emphasis on commitment of top management to CR by North American companies, and existence of CR policy statements by European companies; 5) the emphasis on recycled raw materials by North American companies, and energy consumption by European companies; and 6) the emphasis on profitability by North American companies, and investing to socially/environmentally responsible targets by European companies. Such differences could also be argued to be related to the different institutional arrangements in the regions.

The comparison between different sectors suggests that, Sector of Integrated forest products emphasized Social & Ethical Accounting more than Sector of Consumer products and Sector of Pulp & paper & packaging, whereas Sector of Consumer products paid more attention to Economic Focus issues than the other two sectors. The results also suggests that, sustainability reports emphasized Environmental Focus more than annual reports, whereas annual reports clearly focused on Social Focus and External Communication more than sustainability reports.

Avainsanat - Nycklor – Keywords
Corporate Responsibility (CR), CR reporting, North American forest products industry, Content analysis
FOREWORD

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1 BACKGROUND

1.1 BRIEF INTRODUCTION OF CR AND CR REPORTING

Corporate responsibility (CR) or corporate social responsibility (CSR) (see Panwar et al. 2006; Mikkilä and Toppinen, 2008) has received remarkable publicity in recent years. Increasing media attention and growing consumer awareness have been feeding each other resulting in stakeholder claims targeted at companies. Consequently, companies are showing more interest and commitment around the issue. Hence reputational risk and how companies manage environmental, ethical and social reputations has become a core corporate governance agenda. Success is likely to increase further as companies begin to see a business case, as well as, or as opposed to a moral case, for acting in a more responsible manner.

In any case, the pursuit of CR is generated from business ethics and it is closely related to stakeholder management. Being an issue of relevance to public relations and reputation management, it is an essential part of corporate communication.

CR reporting is a topic that is continuing to gather speed throughout corporate world. This is no wonder considering stakeholders’ ever increasing demands for information on companies’ sustainability performance. In the race to become the greenest, most sustainable company, CR reporting is no longer optional. The focus is now on how you report and to whom – as shown by stakeholders’ ever increasing demand for sustainability reports to be both qualitative and readable. However, this type of reporting is only a few decades old and still in the making.

The issues of CR and CR reporting are becoming important not only at national levels but at the global level as well. National pressures are becoming global, and global business as a whole is facing different market and institutional pressures to be socially responsible and to report on socially responsible practices. Although societal demands and expectations can be
traced all over the globe, organizations are responding to these demands in a variety of manners. A growing body of research in international business suggests that attributes of social, economic, and culture may be related to differing CR initiatives and reporting (e.g. Loft, 1988; Adams and Harte, 1995; Halme and Huse, 1997; Biggart and Gullen, 1999; Whitley, 1999; Aguilera and Cuervo-Cazurra, 2004; Jamali and Mirshak, 2006, p. 244; Prado-Lorenzo et al., 2008)

1.2 FOREST PRODUCTS INDUSTRY IN NORTH AMERICA AND ITS ROLE IN SUSTAINABLE DEVELOPMENT

The United States is the world's largest producer and importer of forest products and the second largest exporter after Canada. The U.S. forest products industry makes a strong contribution to the national economy. With a large forest resource and high production and consumption of wood products, the United States plays an important role in world forest products markets. The United States has the world’s highest consumption of paper and paperboard (about 88 million metric tons in 2003), which is mostly supplied by domestic production and imports from Canada (AF&PA, 2004). More than 460 million cubic meters of softwood and hardwood timber are harvested annually and about 89 million cubic meters of lumber and 27 million cubic meters of structural panel products were manufactured in 2003 (Howard, 2005).

To stay competitive and to develop the products and processes that will be required to comply with environmental regulations, the pulp and paper sector directs at an increasing percentage of its sales annually toward R&D on new/improved products and processes (AF&PA, 2002).

For the Canadian economy, the forest products industry is a cornerstone. The Canadian forest products industry is the world's largest exporter of forest products shipping over $40 billion of goods to markets around the world, an $84-billion industry representing 3% of Canadian GDP. The industry is one of Canada's largest employers, operating in over 320 Canadian communities and providing nearly 900,000 direct and indirect jobs across the country (CNW Group, 2008).
Canada is a global leader in sustainable management. For example, it retains 91% original forest area, and has the largest area of third party certified forests in the world. It is the only country in the world whose national trade association (FPAC) has made the third party verified Sustainable Forest Management (SFM) certification a condition of membership (FPAC, accessed in November, 2008).

Since 1990, the Canadian forest products industry has reduced its own greenhouse gas emissions by 28% while increasing production by over 30% - surpassing its Kyoto targets by more than four times. The industry recycles over 5 million tonnes of paper per year. Since 1990, the industry has spent over $8 billion on environmental improvements for water and air resulting in 93% reduction in organichlorines, virtual elimination of dioxins and furans, halving of particulate emissions. The pulp and paper sector currently meets 57% of its energy demands with biomass, a clean, green, carbon-neutral energy source derived from industrial byproducts such as bark, wood shaving and sawdust (FPAC, accessed in November, 2008).

According to FPAC (accessed in November, 2008), the Canadian forest products industry enjoys a number of key competitive advantages, including the quality and diversity of the Canadian fiber basket, proximity to the huge U.S. market, a skilled workforce and, in some provinces, relatively inexpensive electricity.

All in all, the forest products industry is a major manufacturing sector in North America. Companies manage, buy, process, research, and plant trees throughout the continent. The industry has a major influence on the future of North American forests and exerts a significant and "immediate" impact on the sustainable development in North America. The North American companies play an important leading role in the global forest products industry. As the industry in whole is experiencing increasing consolidation and globalization, its potential impact is participated to be significant towards the sustainable development in the home country as well as in those foreign countries where it is operating.

The forest-based industry has a crucial role in global sustainable development because of its
unique raw material basis and increasing internationalization (Mikkilä and Toppinen, 2008). Unlike other industries, such as mining or petroleum, which are dependent on non-renewable and extractive resources, the forest products industry has renewable resource base and can potentially meet the most commonly quoted definition of sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Thus, the forest products industry has the potential to progress to advanced sustainability practices.

2 PURPOSE AND IMPLEMENTATION OF THE STUDY

2.1 PURPOSE OF THE STUDY

This study intends to explore what largest forest products industry companies in North America actually say when reporting on their CR actions, and find out the important issues perceived by them. The study also expects to see whether firms within a common industrial and cultural environment exhibit variations in their CR practices, and whether there are notable differences in the reported issues/areas between the CR reporting by North American companies and those by the European companies. The main research question of this study is:

“What issues do the largest forest products companies in North America communicate in their CR reporting?”

The theoretical objective of the study is to study the driving forces and incentives behind companies’ CR initiatives and reporting. This will be achieved by literature review on the relevant theoretical concepts and definitions, as well as early research by various scholars.

Hence, the theoretical and conceptual study aims to answer the following questions:

- What is CSR defined and how it has been developed as a concept?
• What are the driving force and motives for companies’ CR initiatives?
• Why do companies report their actions on CR?
• How does CR reporting develop and what kinds of characteristics could be identified in it?
• Why global CR reporting standards are needed and what are the standards under CR reporting?
• How CSR is related to forest products industry and how does the industry response towards the demand of CR and reporting by the public?

The empirical objective of this study is to examine the CR reporting adopted by the North American companies within a single industry context, and see what specific reported issues are undertaken by the companies and what types of information on CR those companies intent to deliver to their stakeholders. Therefore, the empirical part of this study should be able to answer the following questions:

1) What issues do the largest forest products companies in North America communicate in their CR reporting? Are there any differences among the issues addressed by those companies?

2) What means of transmission (both internal and external) are used by the largest North American forest products companies in communicating their CR practices? And who are the targeted audience of their CR reporting?

3) Do the CR policies and reporting of the largest North American forest products industry companies correspond with those observed from European forest industry companies? If not, what differences could be drawn then?

2.2 IMPLEMENTATION

The study will be carried out as following:
1) A theoretical and conceptual background for the study is gained from the current 
debate, literature review;
2) A theoretical framework is formulated to operationalize the theoretical background;
3) Content analysis is chosen to be the research method for this very study and the 
framework for content analysis is designed;
4) The primary criterion is set for sample company selecting;
5) Data are to be collected, coded and analyzed;
6) Results and conclusion of the study are to be drawn.

3 THEORETICAL AND CONCEPTUAL BACKGROUND

3.1 PROGRESSION OF CR

From the 1950s onward, scholars have offered several conceptualizations of the CR concept 
(De Bakker et al., 2005). They all had in common societal concerns and expectations of 
companies’ stakeholders and society in general. The core of CR is an idea that no company 
can afford to act opposed to or in isolation from the issues in a society (Matten and Moon, 
2005). Hence, the CR debate seems to imply behavior which embeds a variety of social 
obligations towards stakeholders, namely, consumers, employees and others (Habisch and 
Jonker, 2005). FIGURE 1 illustrates the progression of CR concept.
There is no universally accepted definition of corporate responsibility (Panwar et al., 2006). The field of CR is commonly accepted to have three domains: economic, social and environmental. Thus, CR can be understood as a balance of all responsibilities and policies which meet or exceed expectations, values and norms of stakeholders and society at large. Panwar et al. (2006) also recommend several definitions that have been proposed for capturing the meaning of CR, as follows:

“The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organization at a given point of time.”

- Carroll, 1979

“CR refers to a company’s status and activities with respect to its perceived societal or, at least, stakeholder obligation.”

- Brown and Dacin, 1997
“CR is concerned with treating the stakeholders of the firm ethically or in a responsible manner... The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation.”

- Hopkins, 2004

CR is a part of corporate performance, which indicates the final impact of the company on sustainable development. (Young and Tilley, 2006). More recently, Millilä and Toppinen (2008) contend that in business language, corporate sustainability can equate to corporate responsibility. They further argue that corporate responsibly can refer to a company's long-term profitability goal, and it can be interpreted as a company's (positive, negative or neutral) impact on sustainable development. This develops corporate sustainability beyond the plain business case towards an integrated approach that links also in the social and environmental sustainability of businesses.

3.2 MOTIVES AND DRIVERS OF CR

What exactly motivates firms to engage in CR practices is a matter for ongoing research. Companies have diverse motivators to adopt CR. These motivators can range from meeting basic mandatory legal requirements aimed at controlling destructive business practices to consideration of CR as a tool for increased productivity and improved financial performance. Further, functional areas such as risk management and market positioning are also expected to improve with increased attention to CR. Companies at the leading edge of responsibility issues are often not motivated by instrumental use but rather act out of internally motivated, ethical considerations (Panwar et al., 2006). TABLE 1 below summarizes a number of key drivers of business prosperity that can be positively affected by CR initiatives towards profitability. The similarity found among the arguments by different authors reflects a consensus that CR initiatives hold positive effects to companies’ financial performance.
TABLE 1: Summary of key drivers of business prosperity by CR initiatives

<table>
<thead>
<tr>
<th>Key drivers of business prosperity positively affected by CR initiatives towards profitability</th>
</tr>
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<tbody>
<tr>
<td>Azapagic (2003)</td>
</tr>
<tr>
<td>1) cost saving &amp; benefits of innovation; 2) lower health &amp; safety costs; 3) easy access to lenders &amp; insurers; 4) best practice influence on legislation; 5) company reputation; 6) market advantages; 7) opportunity to attract ethical investors.</td>
</tr>
<tr>
<td>Kotler &amp; Lee (2005)</td>
</tr>
<tr>
<td>1) enhanced corporate image &amp; clout; 2) increased sales &amp; market share; 3) strengthened brand positioning; 4) increased ability to attract, motive &amp; retain employees; 5) decreased operating costs; 6) increased appeal to investors &amp; financial analysts.</td>
</tr>
<tr>
<td>Heslin &amp; Ochoa (2008)</td>
</tr>
<tr>
<td>1) growth in market share; 2) organizational learning; 3) committed &amp; engaged employees; 4) solidified relationships with external stakeholders; 5) attention gained from financiers &amp; investors.</td>
</tr>
</tbody>
</table>

Beside the strong economic incentives which drive companies for CR initiatives, in consistent with other studies, Heslin and Ochoa (2008) argue that powerful social and political forces also encourage organizations to act more responsibly. The social and political forces identified in their study are presented in TABLE 2 below.

TABLE 2: Social and political forces for CR initiatives (Heslin and Ochoa, 2008)

<table>
<thead>
<tr>
<th>Social and political forces for CR initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Growing consumer demand for responsibly made products;</td>
</tr>
<tr>
<td>2) Challenges to organizations’ reputations by nongovernmental organizations (NGOs);</td>
</tr>
<tr>
<td>3) Industry codes of conduct;</td>
</tr>
<tr>
<td>4) Assessments and rankings of CR performance;</td>
</tr>
<tr>
<td>5) Pressure from socially responsible investors through public interest proxy resolutions;</td>
</tr>
<tr>
<td>6) The socially conscious values of organizational managers and employees.</td>
</tr>
</tbody>
</table>
Heslin and Ochoa (2008) further claim that issues such as disparities in access to quality education, employment, and healthcare are gaining increasing media attention, as is the need for technological and other innovations that address pressing environmental challenges. These challenges include air and water pollution, unsustainable fishing and harvesting, as well as increasing greenhouse gas emissions that according to the 2007 Intergovernmental Panel on Climate Change almost certainly lead to global warming.

There is an emerging consensus that such critical environmental and social issues must be addressed without delay and that, in addition to public policy changes, organizations, especially those multinational companies, have a responsibility and key role to play in identifying and implementing remedial actions. Such responsibility is underscored by the increasing realization that even individuals can also vote their preferences through e.g. what companies purchase and from whom they purchase, where and how companies choose to work, and in where companies invest.

3.3 CONTEXT-DRIVEN PERSPECTIVES ON CR

A key factor that has been identified to be influential in determining both the nature and extent of non-financial disclosure by companies is the country in which the business is headquartered (e.g. Kolk et al., 2001; Meek et al., 1995; Niskala and Pretes, 1995; Roberts, 1992). Burchell et al. (1985) demonstrate that the rise and fall of reporting on value added in the UK was heavily influenced by the political agenda in the UK. Political factors are often intertwined with social and cultural factors.

It is known from the literature that cultural characteristics and cultural tendencies shape expectations of the role of business. Culture influences moral values, which one would expect in turn to influence at least the issues which companies, select as being worthy of report (Langlois and Schlegelmich, 1990).

Jamali and Mirshak (2006) suggest that cultural differences, associated with several countries
and regions, affect CR dynamics, with companies in different contexts showing varied responses to this change on the business conduct landscape.

Pattern of difference and similarities in national emphasis are perceived as influences from distinctive cultural characteristics which manifest themselves in both management and accounting practices (Haire et al., 1966; Hofstede, 1980, 1991; Gray, 1988). In concert with such perception, some authors argue that cultural factors may also help to explain differences in environmental concerns, the strength of green politics and demands for corporations to act in socially responsible ways (Douglas and Wildavsky, 1982; Muller-Rommel, 1989; McCormick, 1991). For instance, in their study on the influential factors of environmental reporting, Halme and Huse (1997) found that compared with Southern Europe, the Nordic countries have traditionally been much strongly engaged in environmental protection.

Toward the significant gaps in CR efforts between different countries, Prado-Lorenzo et al. (2008) stress that the reason must be sought in a individual culture which, to date, has not given sufficient importance to responsible corporate behavior. Furthermore, it is governments which establish divergent policies regarding the fostering and promotion of CR.

A number of studies on international business suggest that different business governance systems can be related to differing social and cultural systems (e.g. Biggart and Gullen, 1999; Whitley, 1999). More recently, Aguilera and Cuervo-Cazurra (2004) suggest that the differences in CR can be related to differences in governance systems. They argue that another striking difference the UK and US markets is the greater attention being paid by both companies and institutional investors in the UK to issues of long-term social and environmental risk. Multi actors including employees, top management teams, firm owners, consumers, governments, NGOs acting at multiple levels, as individuals, within firms, within nations, and within transnational organizations and in transnational interactions, can create difference in CSR across countries.

A growing research body suggests that CR initiatives may be shaped by various social,
economic, and cultural attributes. In order to achieve the global objective of sustainability, there is a logical need for CR at a global level. There is global consensus about some of the overarching CR themes, such as, economic bottom-line, employee treatment, community development, and other stakeholders’ engagement. However, there are several underpinning variations that require that particular social paradigms and expectations from business are considered in any CR evaluation mechanism.

3.4 CR REPORTING

3.4.1 Development of CR reporting

Corporate social and environmental reporting are not new phenomena. The willingness of corporations to report their social impacts has been addressed in a number of studies (Ernst & Yong, 1976; Dierkes et al., 1979; Guthrie & Mathews, 1985; Gray et al., 1995a, 1995b; Gray et al., 1996; Guthrie & Parker, 1989; Gray et al., 1992).

These studies indicate that reporting practices vary in different countries and that reporting is mainly qualitative. By the end of the 1980s the emphasis on social issues shifted more from employee information and value added statements to environmental information. At the same time there has been an increasing trend towards greater coverage of environmental issues in annual reports (Burchell et al., 1985)

Societal expectations about the responsible role of business in society are on the increase and the recent research on CR discourse shows that there have been developments of a variety of instruments that aim to improve, evaluate and communicate socially responsible practices. Academics consider the notion of corporate social responsibility has been in existence since the 1950s, proliferating in the 1970s (Carroll, 1999) and gaining increasing currency in the 1990s and the new millennium (De Bakker et al., 2005). Likewise, reporting on environmental and social matters has been prevalent for several decades with further growth over the past decade or so (Deegan, 2002).
3.4.2 Motives for communicating CR

Guthrie and Parker (1990, p. 165) suggesting that CR disclosures are made in an effort to

“...demonstrate a constructive response to social pressure and avoid further regulation of their disclosures. In this way they may seek to pacify sociological demands made on business while attempting to win or maintain support from particular targeted constituencies. Such a disclosure strategy may include emphasizing the corporation’s positive contributions to social welfare and highlighting its attempts to minimize its harmful effects on various elements of society.”

Communication of an organization’s social impact is important, and disclosing true and relevant information about corporate behavior can generate benefits for its stakeholders, the organization itself, and the surrounding society. Ethical communication is especially important when informing stakeholders on CR related matters. It is crucial for the company to know what the stakeholders expect. Following the law or even the generally acknowledged moral of the business would not be sufficient if such behavior is not approved by certain stakeholder groups. Losing stakeholders’ trust can seriously damage the business. Consequently, satisfying the demand of stakeholders and meeting their various expectations are the main reasons for companies to communicate CR.

A positive reputation is a vital condition for the success of the company (van Riel, 1995). Reputation cannot be bought nor it can be created by issuing statements about excellence – it has to be earned (Markkenen, 1998).

Teece et al. (1997) contend that corporate reputations can shape the responses of external actors, because they summarize a good deal of information about a company’s current position and behavior and also its probable future behavior. External actors’ responses are based on what they know rather than what is knowable about a company. CR disclosures may be used by companies as one of the informational signals upon which stakeholders base their
assessments of corporate reputation under conditions of incomplete information.

Hooghiemstra (2000) argues that social responsibility disclosure is a communication instrument that companies use to create, protect or enhance their images or reputations. It can be understood as a source of competitive advantage based on the resource based theory by (Barney, 1991a; 1991b), because it can assist a company to create “a positive image” which may imply that “people are to a great extent to do business with the firm and buy its products” (Hooghiemstra 2000, P. 64). It can also be analyzed as “a public relation vehicle”, which is “aimed at influencing people’s perceptions about the firm” (Hooghiemstra 2000, p. 57).

In a study on large listed UK companies, Toms (2002) found that the implementation, monitoring and disclosure of environmental policies and their disclosure in annual reports were found to contribute significantly to the creation of environmental reputations. Companies can improve reputation through making disclosures per se, which could reflect the high level of adoption if voluntary environmental disclosures among largest UK companies, to the extent that investors now regard them as a required norm. Hasseldine et al. (2005) suggest that quality of environmental disclosure rather than mere quantity has a strong effect on the creation and investor stakeholder groups.

Corporate communication can be used as a model for organizations to use CSR reporting as a strategy to legitimize their activities. Communicators suggest that public relation (PR) is the practice of social responsibility and that social responsibility has become a major reason for companies to employ communicators (Grunig & Hunt, 1984). The relationship between public relations and the communication of information continues to be dominant in the literature (Black and Hartel, 2004; Starck and Kruckeberg, 2003).

In sum, literature has highlighted that social responsibility reporting occurs largely within economic, social, environmental and governance domains. It is largely of a voluntary nature for organizations seeking to manage their legitimacy.
Earlier studies also indicate that environmental reporting is mainly a practice of large corporations and is most frequent in industries commonly associated with negative environmental impacts, such as mining, petrol refining, and forestry (The UN Commission on Transnational Corporations 1992; Roberts, 1991; Rikhardsson et al., 1994; Bullough and Johnson, 1995; Gamble et al., 1995; Niskala and Pretes, 1995; UN Environmental Programme (UNEP), 1994; United Nations, 1992; Kirkman & Hope, 1992; Trotman & Bradley, 1981; Cowen et al., 1987).

3.4.3 Different types of CR reporting

Based on the arguments by Van der Laan (2004) and Woodward et al. (1996), reports can be made into three different types:

1) **Mandatory reports.** Advocates of mandatory reporting believe that reporting should be regulated by the state in order to protect the citizens and to ensure the appropriate information is provided (Doane, 2002).

2) **Solicited reports.** Solicited reporting is still a relatively underdeveloped form but is slowly gaining wider acceptance. The core of solicited reporting is the demand for information issued by a particular stakeholder group (Van der Laan, 2004). This form of reporting develops new, more symmetrical and dialogical forms of communicating, which enable stakeholders to obtain richer, and in many cases better, information (Van der Laan, 2004; Woodward et al., 1996). It is an approach based on Grunig and Hunt’s (1984) two-way symmetric model of communication. Underpinning this is the focus on community dialogue and consultation within the values and processes of organizations that have a focus on social responsibility (Wood, 1991).

3) **Voluntary reports.** Voluntary reporting is the most recognized form of reporting. The KPMG 2005 international survey shows that voluntary CR reporting has risen
significantly since 2002 (Kolk et al. 2005). Stittle (2002, p. 349) stresses that the main characteristic of these reports is their voluntary form and contents, which can lead the companies to use the reports to portray their image in a favorable light. There is some public pressure to develop CR policies arising from the failure of voluntary reporting (Ariel Aaronson and Reeves, 2002). These are the drivers for some governments - as well as other institutions - to introduce different accreditation mechanisms, guidelines and standards for CR practices and reporting, which do not attempt to mandate corporate social responsibility and CR reporting, but to find a middle way to hold companies accountable for their actions (Ariel Aaronson and Reeves, 2002; Hopkins, 2003; Stittle, 2002).

3.4.4 Characteristics of CR reporting

CR reporting refers to extending the company’s traditional role of providing a financial account to the shareholders. Gray et al. (1996, p. 3) perceive CR reporting as “the process of communicating the social and environmental effect of organizations’ economic actions to particular interest groups within society and to society at large”.

Being a tool of corporate communication, a CR report should be able to answer these primary questions: Who produces the report (self-accounts or public interest audits), at Whom the report is targeted (internal or external reports), What is the scope of the report (in part or in full), and in Which form it is produced (single dimension or multidimensional, input- or output-oriented).

The report may aim to change the stakeholders’ perceptions of the event (but without changing the company’s actual performance), distracting attention away from the issue of concern (focusing on some positive activity) or changing external expectations about corporate performance (Parker 1986, p. 3). The report producer occupies a key position in the social network and may be influenced by internal (superiors, colleagues, etc.) or external (authorities, readers, etc.) power sources.
Koskela and Pilke (2002) identify two types of target audiences of corporate reporting: 1) those who go through all the information in detail, e.g. main financiers, tax authorities; 2) those whose interest in the company is not as detailed, e.g. minority owners, employees. CR reports are primarily produced for the first group but they also serve for public relations with respect to the second group. It is the whole report and its macrostructure that give the reader an image of the company, and therefore more attention should be paid to the readability of the report. The audience should feel informed as well as be informed, and the report should always include fresh news, and the visual impact may be critical in attracting the attention of the audience (Parker 1986, p. 62).

As an attempt to increase transparency with respect to corporate actions concerning social and environmental issues, non-financial reporting, as part of the annual report, or in the form of special report, is increasing. Gray et al. (1996) notice that the focus has shifted from simple statements of intent to full statements of policy, moving towards reporting on performance and achievement. Some flaws in early voluntary reporting are identified as following:

- the proportion of companies disclosing and the extent of that disclosure is small and the quality (data verifiability and specificity is low
- there is some variety in disclosure over time, between countries and between industries, reflecting the changing business climate and the social, economic and political environment
- larger companies are more likely to disclose than smaller companies
- very little disclosure qualifies as information (little numeric information) and the emphasis is on public relations rather than on transparency

(Gray et al. 1993, p. 206)

Current CR reports are still criticized for being documents which contain brief and partial information. Gray (2001) argues that it is not analytically stated in the reports what sustainability means to the company. Further, the growing amount of CR reporting has given
Despite the criticism, CR reporting is an important tool of corporate communication but it is to be complemented by other tools and practices, e.g. codes of conduct, standards, management systems (GRI Guideline 2002). CR can be effective only if it covers all stakeholder groups of the company, brings about changes in corporate governance and is rewarded by financial markets. Further, it is to be defined in relation to the goal of social and economic sustainability and to be benchmarked and audited. It should be open to public scrutiny and to cover the company both horizontally and vertically (Frankental 2001).

Gray (2001) further states that reporting is seen as the primary indicator of corporate openness and proactiveness. The problem is that not all companies are reporting and that there are serious gaps in the reports. Reports often concentrate on more positive or less important issues even though they should focus on the total effects of the company. One way to ensure the uniformity of CR reporting is the voluntary or mandatory adherence to certain norms and forms. Reporting on CR is currently on voluntary basis and it has been argued whether legal responsibility to report on CR could be a solution to improve the commitment of companies. However, legal requirements do not necessarily meet the needs of all stakeholders. Voluntary, freely formed reports may seem to be a more suitable source of information (Company Environmental Reporting 1994). However, Gray et al. (1996) indicate their further concern that voluntary reporting will depend too much on the influence of certain stakeholder groups, the social, political and economic climate, and the self-interest of the companies, whereas mandatory reporting on CR could turn social reporting into more than mere public exercise but the reports would not be effective unless there were verified.

The need for credible, appropriate and independently verifiable information on the financial, social and environmental performance of companies is generally acknowledged. National regulatory bodies demand more and more financial information on governance and liability. Consumers and employees are increasingly pressuring business and industry to behave in a responsible way (Wheeler and Sillanpää 1997, p. 342). Legislation is not the only factor affecting corporate reporting practices. Information needs of the corporate participants, mass
media and internationalization of companies/globalization of economics affect corporate reporting practice (Tuominen 1981, p. 1). But some if not most companies are actively in the opposition of restrictive legislation. Zadek (2001, p. 93-96) observes that the most obvious reasons for the opposition are the legislation may increase costs and thus affect the profitability, and it is generally considered to be an ineffective tool to conduct social and environmental changes. The leading companies in CR are likely to be in favor of statutory regulations. They have often been charged with misconduct, which had already initiated a costly change in their practices.

3.4.5 Challenges for CSR reporting

It is claimed that communicating CR depends largely on the credibility and trustworthiness (including both economic and moral trustworthiness) of the message sending company. Since CR reporting is still in making, what to disclose and how to disclose, in order to integrate all the interests of different stakeholders in a coherent manner remains challenging for companies.

Dierkes et al. (2002, p. 9-10) identify several problems facing the company when preparing the CR report: the problems of quantifying, limiting, measuring, and evaluating. It is difficult to find operational definitions and practical indicators, suitable methods and information techniques. Comparing data may turn out to be impossible.

Some recent studies have claimed that, means such as codes of conduct, voluntary reporting, auditing have not managed to convince everyone (Hurst and Arnesen 2000; O’Rourke 2002). The increasing number of standards and codes is seen to stanch growth in the number of social reports since many companies rather hold back than press ahead. Either internal auditing or external auditing is accused of having severe flaws and being unreliable due to poorly trained auditors and flaws in audit protocols. Auditing and verification are not yet current issues for many companies and consensus has not been reached about who should be conducting them. Even the content of the auditing and verification remains unclear. It has
been discussed who should cover the costs, where the standards of performance are to be set and how they are to affect the business relationships.

3.4.6 Global instruments for CSR reporting

With growing recognition of looming global human and environmental crises, there is a groundswell of public and private sector organizations striving to make measurable contributions to sustainability issues.

Some research (e.g. Owen, 2003) has recognized that establishing a common global framework of CR reporting is clearly a desirable goal, and there have been several attempts to do so. Several international standards and guidelines that have been adopted by companies in reporting their CR activities are next briefly described.

3.4.6.1 Global Reporting Initiative (GRI)

The Global Reporting Initiative (Hopkins, 2003; Owen, 2003), developed in 1997 by the Coalition for Environmentally Responsible Economies (CERES) in cooperation with the United Nations Environment Program (UNEP), is particularly well established. The mission of GRI, an independent organization based in Amsterdam, is to develop and disseminate globally applicable Sustainability Reporting Guidelines to enable organizations to voluntarily report on their activities in the social, environmental and economic dimensions. The GRI offers a set of reporting principles and structured report content with indicators for these three domains (Owen 2003, p. 18). Among the 250 biggest global companies, GRI guidelines seem to be now well established (Kolk et al., 2001): “Currently, 660 companies spread throughout 50 countries report on the basis of GRI guidelines” (p. 7). See Appendix 1 for GRI Guideline.

3.4.6.2 The United Nations Global Compact (UNGC)

First announced by United Nations Secretary-General Kofi Annan on January 31, 1999, The United Nations Global Compact (UNGC) is an international initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on them.
UNGC is aimed at bringing together companies, UN agencies, labor organizations and civil society in support of 10 principles covering human rights, labor, the environment, and corruption. UNGC member organizations pledge to abide by and integrate into their business practices the 10 principles. See Appendix 2 The United Nations Global Compact Ten Principles. Over 4,000 organizations from more than 100 countries are now members of the United Nations Global Compact (UNGC) (Heslin and Ochoa, 2008).

3.4.6.3 AA1000

A similar initiative has also been introduced by the Institute for Social and Ethical AccountAbility (ISEA) (Owen, 2003). The standard is called Accountability AA1000 assurance standard and is similar to GRI (Hopkins, 2003).

However, AA1000 does not directly concern itself with prescribing reporting formats and is therefore not as strict in terms of reporting guidelines. Instead, the importance of engagement with stakeholders is given greater stress than in the GRI (Owen, 2003). There is evidence, however, that GRI is more rapidly gaining ground and AA1000 has linked up with GRI (Hopkins, 2003).

3.3.6.4 Other international standards and guidelines of CR reporting

Several other international standards and guidelines are frequently mentioned in the literature on reporting. Below are the three distinct but complementary categories which reinforce CR reporting (European Commission, 2004; Hopkins, 2003):

1. *Codes of conduct* (e.g., OECD Guidelines, ILO Declaration; define standards of corporate behavior);
2. *Management standards* (e.g., SA8000; ISO 14000; offer frameworks for implementing socially responsible practices);
3. *Screenings and rankings* (e.g., Dow Jones Sustainability Index, FTSE4Good; provide basis for responsible investing and comparing companies);
(4) Eco-Management and Audit Scheme (EMAS, 1995, 2001; provide framework for improvement of environmental performance and was initially directed at manufacturing firms);

(5) The Copenhagen Charter (1999; develop sensitivity to the values of stakeholders).

It is interesting to note that Global Reporting Initiative has already included elements of other standards such as ISO 14000, SA8000, OECD and the Global Sullivan Principles in its reporting guidelines (Hopkins, 2003). This development indicates the desire to provide a globally acceptable uniform standard of CR reporting.

3.5 ETHICS AND VALUES OF BUSINESS CORPORATION

A business enterprise is a moral agent that has its own moral and social responsibilities, following from the implicit social contract between the society and business milieu (Buchholz 1989; Dion 1994; Macdonald 1995). But, because of the cultural and religious pluralism of our societies, corporate ethics must deal with values and norms of ethical behavior in a pluralistic organizational context, and then with the value conflicts that may follow from such a context (Dion 1995,1996; McCoy 1985; Sims and Gioia 1986).

Corporate ethics implies a critical assessment of discourses and practices in organizations. It starts from a moral sociology, from the existential, organizational life as it is perceived within the organization, from the ethical paths used by organizational members. Corporate ethics thus cannot avoid an analysis of the moral consensus in order to be able to present realistic solutions to the moral dilemmas with which the organizational members are confronted. The corporate language that is used to express organizational culture is determined by corporate values and their relative compatibility with those of competitors, of other industries in the given and of the global culture of countries in which the company operates (Andriof and McIntosh 2001, p.119).
Andriof and McIntosh (2001) observe ten corporate values that are generally expressed in most corporate codes of ethics. They also argue that these ten values constitute the basis of social and environmental concerns. The ten values can be defined as integral parts of integrity values, as illustrated in TABLE 3.
<table>
<thead>
<tr>
<th><strong>Integrity values</strong></th>
<th><strong>Integrity</strong></th>
<th>it is the quality that prompts a person to try to safeguard what he or she perceives to be his or her own being, protecting it against every pressure towards inauthentic distortions.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Honesty</strong></td>
<td>it presupposes one to conform to the spirit of law and to customs, but above all to conform to one’s own moral duties, to do “what one should do”.</td>
</tr>
<tr>
<td></td>
<td><strong>Justice</strong></td>
<td>it implies the redress of harms, the aim of equal rights for and obligations to each other, respect for the individual as well as collective rights.</td>
</tr>
<tr>
<td></td>
<td><strong>Equality</strong></td>
<td>it implies a will for forces to be in equilibrium, for a harmonization of human needs and interests, for public recognition of an individual by others, whatever his or her social characteristics.</td>
</tr>
<tr>
<td></td>
<td><strong>Objectivity</strong></td>
<td>it is presented as being safeguarded through the rule of law applied without any prejudice; presupposes an exclusion of affection, of sensitivity in the decision-making process.</td>
</tr>
<tr>
<td><strong>Relational values</strong></td>
<td><strong>Loyalty</strong></td>
<td>it is found in midst of discourses of CEOs; in most cases, the loyalty described is one-sided loyalty – that of employees towards their organization. Only rarely will an enterprise commit itself to loyal relations with its employees.</td>
</tr>
<tr>
<td></td>
<td><strong>Devotion</strong></td>
<td>in a business context, it implies self-sacrifice, that is, the neglect of one’s own needs &amp; interests to the profit of organizational needs &amp; interests. It means showing goodness &amp; generosity, a sense of harmony, a disinterested attitude, a deep “feeling” for the organization.</td>
</tr>
<tr>
<td></td>
<td><strong>Respect</strong></td>
<td>respect for others implies 1) public recognition of the other as human being, that is, a being participating in the world humanization process (from which nobody can excluded); 2) the actualization of the best potentialities within humanity; 3) actions one undertakes towards others will be led by the feeling that one cannot be himself if one is unable accept the facilitation of the self-actualization of others. It is a key value in social &amp; organizational life.</td>
</tr>
<tr>
<td></td>
<td><strong>Prudence</strong></td>
<td>it is defined as a kind of wisdom following from intuition &amp; reason. In an organizational context, it is a systematic reflection by an organizational member on the effects or consequences of his or her actions &amp; decisions on beings &amp; things in his or her environment &amp; on the local communities.</td>
</tr>
<tr>
<td></td>
<td><strong>Tolerance</strong></td>
<td>it is concern for difference, otherness. It implies an attitude of gentleness of sweetness, which can contribute to the transformation of differences into possibilities for enrichment for people.</td>
</tr>
</tbody>
</table>

**TABLE 3: Corporate values (Andriof and McIntosh, 2001)**
3.5.1 Social principles and guidelines

Social principles and guidelines of a company, in terms of corporate governance, can be seen as guiding beliefs of a company. Guiding beliefs is crucially important, because they have been learned or developed as the result of having to cope with problems of external adaption and internal organization. They are believed to be a valid way to cope with such problems whenever they arise. Therefore, they are to be taught to new members as the correct way to deal with such problems in the future (Schein, 1984). Because such beliefs are so pervasive, they and the cultural paradigm they engender furnish the set of principles and the rule of conduct necessary for corporate governance.

A value can be referred to a standard or principle for judging what is right. Values serve as the authorities in the name of which choices are made and action taken. Etzioni (1988, p. 105) defines values as overarching criteria use to make choices. Moral values are normative in nature and lie at the core of the deontological paradigm. They lead to selective exposure to information and thus bias judgment toward strengthening preexisting beliefs. Upholding the core values defined is a powerful advantage for a company intent on global growth, because these core values are the key reasons for the company to be welcomed around the world by customers, joint venture partners, governments and communities.

Ethics must be the fundamental value for every company. Ethics will not solve business problems and will not replace management, accounting and other areas of education. Ethics raise another dimension, look long-term and impartially at all the effects of one’s (or a group of people’s) actions, and helps one (or a group of people) become more objective. It might help the company prevent disasters and prepare for unpredictables.

Coughlan (2005) concludes that, effective organizational ethics systems require four components, the code, the culture, the compensation plan, and the communication system to be aligned. If they are not, the value of the code of ethics in shaping ethical choices is likely to be diminished.
Berenbeim (1999) found that the most important strategic reason for drafting codes of conduct was to reduce a firm’s legal liability. Among other reasons cited for drafting a code was the need to establish core principles for global operations and a desire to promote employee professionalism (Berenbeim, 1999). Berenbeim also identifies five key organizing principles for formulating codes of ethics, as follows:

1) *To address the role of business in society*;

2) *To increase company autonomy*;

3) *To provide useful reference points* for those operating in geographically and culturally diverse regions;

4) *To outline procedure* that encourage discussions about the consistency of individual decisions with the company’s principles of conduct; and

5) *To establish mechanisms* for addressing issues of concern raised by employees and protecting those employees from reprisal.

A code of conduct is intended to be a central guide and reference for employees in support of day-to-day decision making. It is meant to clarify an organization's mission, values, and principles, and to link them with standards of professional conduct. Codes of conduct typically set guidelines on issues including child labor, forced labor, wages, benefits, working hours, disciplinary practices, freedom of association, and health and safety.

The organizational code of conduct that governs the individuals can play a vital role in providing guidelines about appropriate and inappropriate justifications. Organizational codes of ethics are intended to capture the key values of a firm and to convey those values to both internal and external stakeholders. An important but underemphasized function of codes involves the fact that, by making a firm’s values explicit, an effective code equips members of an organization with ethical justifications that can be used in resolving individual and organizational delimmas. Boatright (2000) contends that, in many instances, a decision-maker will consider these ethical justifications alongside economic and legal justifications before arriving at a choice.
Unethical behavior in organizations could be seen as an incentive system that inadvertently rewards unethical behavior. Unethical behavior occurs in organizations having strong codes of ethics as well. Strong financial incentives provide an explanation for why an employee chooses one over another, even when that opinion is explicitly or implicitly discouraged by the organization’s code of ethics.

Let’s take an example and see how leading companies formulate their corporate ethics, values and principle guidelines. TABLE ?? presents the statements by Procter & Gamble, a global leading company of consumer products, which is also among the case companies in this study.


Becoming aware of the corporate ethics and values is a requisite step for CR success. Participation by employees has long been viewed as a technique for gaining commitment to a choice and for overcoming resistance to change. Genuine (as opposed to token) participation
in the process provides individuals with situations in which they may deal explicitly, with potential values conflicts in questions of business ethics as well as in other areas. Explicit attention to the corporate ethics and values can result in reinforcement by the organization of the importance of business ethics as well as other values related concerns.

CR initiatives are perceived as a corporate communication decision made by the company. Its success cannot be achieved without constant supports from the top management.

In the pursuit of successful CR initiatives, an ethical corporate culture is essential, because it provides an atmosphere conductive to ethics and values the company stands for. A critical factor in the success of establishing such atmosphere is the amount of emphasis placed by the management on the effort. It is insufficient to simply state that the company has a CR policy. It will be up to the organizational to ensure the existence of such atmosphere.

A list of values and principles does not reveal anything about the actual ethical state of the company and its everyday activities. It is after the company has carried out reviews, assessed its position and the feasibility of its aims that it could consider publishing a statement knowing that those values and principles are practicable and the statement a long-lived document.

3.5.2 Business behavior

It is claimed that the extent to which top business managers believe ethical or socially responsible behavior is critical for the success and survival of the business, seems to have a significant impact on the propensity of them to engage in such behavior.

Singhapakdi et al. (1996, p. 132) argue that the perceived importance of ethics and social responsibility to organizational effectiveness “...is likely to be a key determinant of whether or not an ethical problem is even perceived in a given situation as well as a determinant of variables such as deontological norms and importance of stakeholders, among others.”
Singhapakdi et al. (2001, p. 134) further acknowledge that, “the perceived importance of ethics and social responsibility” is a pragmatic view based on an argument that managers must first perceive ethics and social responsibility to be vital to organizational effectiveness before their behaviors will become more ethical and reflect greater social responsibility.” Thus, from a practical perspective, the perceived importance of ethics and social responsibility to organizational success is likely to be an important determinant of actual business behavior.

When critics accused companies of exaggerating their environmental and social responsibility activities, this raised credibility questions. There are a variety of reasons why consumer trust in companies declines. One key reason could be a sudden exposure of the company’s failure to live up to public expectations. Another is when there is a discernible gap between product performances and, for example, marketing claims.

The company wins a good reputation when it is well regarded by the public. Ethical policy can thus be used to develop strategies that improve competitiveness. When a company’s behavior runs counter to public expectations (or at least the expectations of a large part of the public), the company will suffer a major loss of reputation - and often a loss of business and share price as well.

Credibility is then the central link between company behavior and public confidence. This pertains whether the issue is the fit between company behavior and public expectations, whether it is the congruence of product claims and actual product performance, or whether it is the match of good corporate intentions and company actions.

Greysen (1999) contends that company behavior undercuts corporate reputation, particularly relative to public expectations. He identifies three major zones in which corporate reputation clearly manifests itself:

1) Preference in doing business with a company when several companies’ products or
services are similar in quality and price.

(2) Support for a company in times of controversy.

(3) A company’s value in the financial marketplace.

Employee involvement plays a vital role in pursuing CR success. CR seeks to ensure that every person associated with an organization is empowered to be able to contribute creatively. Recognition that people want to become involved and the creation of strategies that will ensure this happens are at the heart of CR. Every individual employee should be given a chance to participate in CR programs. They should be acknowledged about all the relevant economic, environmental and social impacts of the company and understand the consequences of their individual activities. This can be done by integrating CR aspects into continuous and tailor-made internal communications (e.g. education, training). Once the necessary CR awareness of employees is well established, their actions will be affected by the company’s CR policy.

Legitimacy of the company is primarily based on regulatory compliance, by achieving full compliance with all relevant legal requirements and, where appropriate, to exceed them. Accountability in business behavior stands for the actions taken by the company to keep track of its operations and make its trail of responsibilities exposed. The business commitment to contribute to sustainable economic development has among its characteristics both the willingness to carry out sustainable actions by corporations and the performance of such activities beyond the legal obligations required for the company. Economic responsibility related to corporate transparency is traditionally covered in annual reports, and reporting on economic responsibility is regulated by law, although there is variation on accounting principles to certain extent.

Integrity refers to the company’s moral values in business behavior, such as incorruptibility, “doing the right thing the right way”. One of the shortcomings that cause companies to get into trouble could be the lack of a value system around integrity. Integrity is not just how the companies do their expense account. It is faithfulness to the internal employees and the
external interest groups. Integrity is being honest in everything companies do and say. It is simple and clear that, no one can have personal integrity in one area of his life and then decide he is not going to have it in another area of his life. Values are therefore become critically important in creating the “right” corporate in a company. For example, Procter & Gamble defines integrity, one of the five core values if the company, as “1) always try to do the right thing; 2) be honest and straightforward with each other; 3) operate within the letter and spirit of the law; 4) uphold the values and principles of P&G in every action and decision; and 5) be data-based and intellectually honest and advocating proposals, including recognizing risks.” (Procter & Gamble, accessed Jan. 19, 2009)

For those moral-excellent companies, making the ethics come to the front is the fundamental values they want to have. It is just natural evolution for those companies from safety and environmental excellence to have a value for people and then a focus on personal integrity. CR is about improved accountability and shared programmes, which bring benefit to all. To do that requires recognizing the value of community partnerships with business. Auditing (and verification) of the organization’s environmental, social and economic bottom lines will enable the business and its stakeholders to make a difference to the continuous improvement of the organization (Andriof and McIntosh, 2001).

From a stakeholder theory perspective, the company holds obligations for its various stakeholder groups. In an ideal win-win situation, smooth communication and active cooperation are needed from the company and its potential stakeholders. On one hand, the company’s commitment to its stakeholders should be clearly declared and demonstrated through daily business practices. On the other hand, any group of its stakeholders is expected to be dedicated and involved in the company’s responsible operations.
3.6 COMMUNICATION

Communication is the process of transferring meanings from senders to receivers. Organizational communication involves both the external and internal flow of information (Hodgetts & Luthans 2000, p.196-197). Communication is meant to facilitates clarity of language, ensure regular dialogue and feedback, provide forums for problem-solving and conflict resolution, generate a shared vision and celebrate success (Andriof and McIntosh, 2001).

There are many factors which influence the communication process, all of which impact each other in a variety of ways: 1) **Sender**. The sender is the speaker. A sender starts with an impulse he or she wishes to express and then must *encode* that idea into symbols (words) and signs (facial expressions, tone of voice, etc); 2) **Message**. The message is the symbols and signs which are actually transmitted. All messages are carried by a **channel** (such as face-to-face, over the phone, email, disclosure, reporting etc); 3) **Receiver**. The receiver is the listener. The receiver must *decode* the symbols and signs of the message sent through the channel in order to *response* to the sender. Decoding involves working through one's own perceptual filters to arrive at thoughts which approximate the sender's original intent; 4) **Feedback**. Feedback is the signs the receiver projects while the sender is sending a message. Feedback allows the sender to know how his or her message is being received.

FIGURE 2 below illustrates the elements of communication by Kotler (2003). One of the key issues measuring the effectiveness of communication is how accurately the receiver decodes the meaning of the message. The primary goal of the sender is that receiver receives the sender’s expectation information (Hodgetts & Luthans 2000, p.201-217).
FIGURE 2: Elements of communication process (Kotler 2003, p.565)

Luhmann (1986) argued that communications do indeed appear to be elementary constituents of social systems. Since meaning of the communication is hence contained neither in the minds of the senders nor the receivers, communication do not only involve in a transferring, it also connects people to the society.

In order to succeed in corporate sustainable communication and improve communication effectiveness, feedback system was necessary to open up (Hodgetts and Luthans, 2000).

Dawkins and Lewis (2003) emphasize that corporate values and ethics affect a company’s internal and external communication. Obviously, corporations should become more transparent and open up information even the information might damage corporations’ image. “In today’s Post-Econ environment, every wrong move by a corporation can be magnified and sometimes even distorted by special interest groups, the media, academics and other so-called experts” (Dilenschneider and Salak, 2003). Sustainable communication has become one of measurements for ethical corporations (Hoffman and Moore, 1990).

Andriof and McIntosh (2001) argue that a company’s reputation is becoming more and more important as consumer and investors consider reputation and performance as important as price when making purchasing decisions.

The primary goal of corporate communication is to build up a positive image of the company
and set the stage for corporate reputation. Especially for companies operating in a multi-dimensional environment and having various stakeholders around, CR communication certainly should be an important part of stakeholder management.

CR is about communication between all stakeholders in society in order to build social capital towards sustainable societies. To do this involves e.g. business, government and community recognizing that business is a significant social enterprise shaping community values, attitudes and cultures.

The language with which companies communicate with their employees and other stakeholders indicates not only information about the content of code specifications, such as whether the company has a policy on bribery, but also reveals much about the company’s values and responsibilities.

The legitimacy of the company can be maintained and improved, for example, by informing the stakeholders about the important responsibility concerns and taken actions by the corporation. This is closely related to the importance of visibility of the corporation. Communication is also used for achieving the support and acceptance of the stakeholders for the corporation's actions. It can provide means of reinforcing corporate legitimacy and managing reputation, and it permits an opportunity to communicate to stakeholders that fact that the organization is tuned to society (Tsang 1998).

CR involves an organization coming to terms with the need for often radical internal and external changes in order to better meet its responsibilities to all of its stakeholders (direct or indirect) in order to establish, and maintain, sustainable success for the organization and, as a result of that success, to achieve long-term sustainable success for the community at large rather than just short-term gains (Andriof and McIntosh, 2001).

Recent cases in the business world have clearly demonstrated that CR for communication is not an abstract subject. Though many companies have codes of ethics, their compliance is
voluntary. There is a great need to seek guidance so that companies can confidently lay out CR paths for effective communication, and more important, understand and outline the consequences that CR communication dilemmas present.

3.6.1 Internal communication

Internal communication is an essential function to promote, educate and enhance the implementation of CR programs within the organization. By communicating ethics, values, objectives and action plans towards CR, the company can establish an open dialogue with the employees and engage them to proactively participate in CR programs.

Many companies place great efforts to educate external stakeholders (e.g. business partners, consumers, NGOs) about their CR initiatives, but often easily neglect key audiences within their own company.

Poor internal communications of CR practices could generate many negative impacts. Just imagine, if the CR team does not understand how the CR practices impact the company’s functions, people will not take initiatives to support the CR practices by communicating the goals and targets of such efforts to internal stakeholders. They may also miss opportunities to connect the program to other corporate initiatives, adding value to a CR program that may be seen as a financial drain by uninformed staff. Therefore, employee education and training could be effectively linked to CR practices to improve employees’ awareness of CR and help them to add values towards CR.

When developing a corporate social responsibility program that manages supplier compliance, it is important to determine which staff are key stakeholders early in the process, and to develop a communication plan.

Avenues of communication concerning CR issues should be open to every employee and every employee should play a meaningful role. Individuals should feel that they are a
meaningful part of the CR activities of the company, that they matter.

In sum, success of CR requires proper internal communication and full enrollment of internal stakeholders. Consistent support from top management is a must. Cooperation among different functions (e.g., legal, sourcing, marketing, investor relations, corporate communication) within the company is vitally important.

3.6.2 External communication

According to the World Business Council for Sustainable Development (WBCSD 2000), a company’s external stakeholders may include owners and investors, customers, suppliers, competitors, business partners, government agencies, NGOs and communities etc.

These external stakeholders have widely various interests, either direct or indirect, in the company. For example, the tax authorities require the company to provide detailed and accurate financial information by law; NGOs may pay great attention to the non-financial information of the company to see the disclosures on environmental and social aspects. Ordinary consumers may be interested in the disclosures on product quality and safety. The success of CR communication depends on each other (the sender and the receiver). The receiver has a strong desire to inform and be informed. It is the sender’s job to understand and recognize the expectations of its various stakeholder groups, and address those expectations in CSR communication.

A company anticipating a favorable consumer response to CR efforts must understand consumer awareness and attitudes about firm motivations to engage in CR. CR initiatives must be communicated clearly so that consumers can distinguish between marketing/promotion and true CR initiatives (Panwar et al., 2006, p. 7)

To business partners (whether the seller or the buyer), early education and communication of CR initiatives taken by the company will allow the business partners to be prepared for any
changes that may need to be made in the future towards building a long term and healthy business relationship.

3.6.3 Social and ethical accounting

Social auditing and social accounting are relatively new concept. Social auditing is sometimes a synonym for social accounting (e.g. Gray et al 1997). By definition, social auditing is a (generally voluntary) activity recognizes an obligation incumbent on organizations to give an account of their social performance to their legitimate stakeholders (Zhang et al 2000). It is a process that an organization undertakes when assessing and reporting on its social performance, focusing in particular on stakeholder involvement and accountability (Cotton et al 2000). Social auditing attempts to provide a mechanism for decision-makers to evaluate ethical and social planning and to facilitate stakeholder engagement in the social and ethical decision-making process of an organization. Increasing numbers of corporations have now accepted the notion of “social responsibility” and have begun to publish social accounts and social audit reports. These kinds of reports and accounts have attracted widespread publicity (Gray et al., 1997).

Social auditing is seen as a way of managing “competing interests and pressures from stakeholders” (NEF, 1996). The NEF (1996) categorizes areas than can be measured by means of social auditing, including: core aims of the organization, generally reflected in a mission statement, and specific stakeholder aims, identified during a consultation process with identified stakeholder groups. The objectives of social auditing should be to encourage dialogue and sharing of information in order to cope with the tensions of competing interests among stakeholders and increasing demand from stakeholders on products or service provided. Gray et al. (1997) provide a classification of approaches to social auditing based on the complexity and system of the approaches and, more pertinently, their likely desirability to a conventional business organization. The classification of social auditing approaches is presented in TABLE 5.
TABLE 5: Classification of approaches to social auditing (Gray et al. 1997)

<table>
<thead>
<tr>
<th>Classification of approaches to social auditing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company-preferred approach</strong></td>
</tr>
<tr>
<td>➞ Existing corporate reporting of both voluntary &amp; mandatory data</td>
</tr>
<tr>
<td>➞ Existing corporate public relations &amp; advertising of education data</td>
</tr>
<tr>
<td>➞ Collation of the above into a single ‘social accounting’ document – a ‘silent account’</td>
</tr>
<tr>
<td>➞ One-off experiments with approaches to social auditing</td>
</tr>
<tr>
<td><strong>Systematic corporate social account</strong></td>
</tr>
<tr>
<td>➞ Stakeholder reporting</td>
</tr>
<tr>
<td>➞ Description of the characteristics of the stakeholder relationship (s)</td>
</tr>
<tr>
<td>➞ Accountability reporting</td>
</tr>
<tr>
<td>➞ Reporting of the voices of the stakeholders</td>
</tr>
<tr>
<td><strong>External ‘social audit’</strong></td>
</tr>
<tr>
<td>➞ Single-issue reporting (e.g. to consumers, environmentalist, etc.)</td>
</tr>
<tr>
<td>➞ Systematic social audits</td>
</tr>
<tr>
<td>➞ One-off reporting (e.g. investigative journalism)</td>
</tr>
</tbody>
</table>

Social auditing is a dynamic process that an organization follows to account for and improve its performance, consisting of planning, accounting, auditing and reporting, embedding and stakeholder engagement (see AA1000 [ISEA 1999]). It would be a mistake to consider social auditing as only the disclosure of an organization’s social performance. Reporting on social performance is not only a matter of disclosure; it is also a process of communication between the organization and key stakeholders. Reporting is a way in which stakeholders can see whether the organization ‘listened’ to their concerns and, over time, whether it has responded in practical terms. Consequently, reporting is a part of an integrated communication, dialogue; learning and decision-making process is not the end-point in a retrospective process.
The purpose of social auditing is to make organization more transparent and accountable (Zadek and Raynard 1995). In recent years, social auditing has been adopted by fair-trade companies, community and co-operative enterprises, the private sector, the voluntary sector and government agencies. According to APSO (1996), social auditing was the most appropriate model because:

1) *It focuses on the qualitative aspect of the work of the organization;*
2) *It identifies and consults all the stakeholders;*
3) *Stakeholders define the performance indication;*
4) *It is transparent;*
5) *It will be published;*
6) *All staff member will be involved – it is not for management only; every staff member is actively involved in the process;*
7) *It facilitates change – all are involved in learning;*
8) *It relates to all aspects of the organization.*

According to Zadek (1998) of the NEF, 90% of the Fortune 500 companies already have codes of conduct covering a range of social and environmental issues.

Accountability and transparency are key elements of CR. They can be achieved by maintaining an inclusive approach to stakeholder relationships in order to reflect their aspirations and needs in business activities.

Internationally companies have responded by increasing voluntary social and environmental reporting. Along the increasing demand for social and environmental information, the quality and the purpose of reporting have become a concern in CR: Are the stakeholders benefiting from corporate socially responsible action? Are corporations communicating fairly with the stakeholders?

For the reports to be considered as credible, some sort of independent auditing (both internal
and external) is generally required. Social and ethical auditing should be an integral part of the continuous strategic management in order to improve corporate social performance and the creditability of business among the public (Carroll, 1996, p. 650).

Methods of CR accountability are needed to identify responsibilities and monitor the results; Clear targets are to be identified for CR, accountabilities for delivery are to be established and progress is to be measured against stakeholder-driven performance targets and best practices (Jolly, 2005).

It has become more and more clear that corporate social responsibility reporting calls for accountability reporting for sustainability, both environmental and social. This includes dimensions of ecological sustainability as well as indicators of social justice such as fair distribution and intergenerational equity.

From an accounting standpoint, like any other corporate documents (e.g. financial report), for social and environmental reports to be useful, they must have qualities of comparability and consistency. Voluntary international organizations have proposed different approaches for CR reporting with various purposes to order to improve the quality of social and ethical accounting, auditing and reporting. In addition to the previously mentioned GRI reporting guideline, the UNGC principles, AA1000, there are a number of important contributions. They were briefly introduced in Section 3.3.6.4 Other international standards and guidelines of CR reporting.

**3.7 CONTENT OF CORPORATE RESPONSIBILITY**

3.7.1 Economic focus

Economic responsibility related to corporate transparency is traditionally covered in annual reports, and reporting on economic responsibility is regulated by law, although there is variation on accounting principles to certain context.
Economic performance is a fundamental organizational responsibility (Panwar et al. 2006). The three elements of CR are said to be interdependent but economic responsibility can also be seen as means for the environmental and social dimensions.

Corporations have economic obligations to their stakeholders. They must make enough profit to satisfy the various demands which they encounter in their operation. As sustained level of financial performance is a primary goal for most managers, trends in accounting-based measures are frequently used in evaluating the performance of management. Profitability, efficiency and competitiveness have long been the prior measurable incentives for business.

Andriof and McIntosh (2001) argue that CR is about business sharing responsibility without losing profitability; CR is also about transparency, but it does not mean being uncompetitive. The more transparent an organization, the more benefits would flow back in the long term.

Taxes are the government’s sole means of generating income, at least in a more or less capitalistic society in which the government does not operate business. Even in society in which government does operate some forms of business; taxes are still the predominant means by which government generates income.

The corporation’s return to shareholders is best viewed as being more or less a no-fixed-interest payment the traditional notion of profit seems to have little role left to play. Corporate survival depends on satisfying the economic demand of all stakeholders who have economic demands to make against the corporation, to pay enough in wages to ensure an adequate work force, to pay enough return to shareholders to maintain their investment in the corporation, to pay enough in managerial salaries to ensure an adequate managerial force, to pay bills to its other suppliers and creditors.

Economic targets can be achieved through innovations, e.g. supporting R&D into the contributions that environmental friendly operations and new responsible safe products can make to sustainable development. Economic efficiency can also be achieved through
environmentally responsible actions, e.g. reducing energy and water consumption, recycling raw material, and sustainable use of raw material and other natural resource. Investing in employee pension funds and occupational health and safety has become prevailing in regard to socially responsible investment (SFI) for companies.

3.7.2 Environmental focus

Companies that treat the environment with respect in all aspects of their operations have reduced waste output, create higher-quality products and services, have high resource efficiency, have reduced costs of regulatory compliance, experience low incidence of litigation and enjoy a high degree of loyalty from both customers and business-to-business clients (Andriof and McIntosh 2001, p. 16).

Environmental protection and reduction in resource consumption are two important issues in CR. In recent years, developed countries have been tightening their laws on environment and health. EU and many other developed countries have stipulated stricter regulations on harmful pesticide residues in food and agricultural products, implementing laws regulating the recycling of used electronic appliances, restricting use of harmful substances in electronic products and tightening registration, assessment and licensing of chemicals. The mentality behind these laws is the aim to expend the environmental responsibilities of corporations by building a closed circle that involves resource development, processing, product design, assembling, marketing, consumption and sorted recycling. The ultimate goal is to reduce natural resource consumption and waste production to the minimum, advocating clean production and green consumption.

There has been an increasing public attention on the need for technological and other innovations that address pressing environmental challenges. These challenges include air and water pollution, unsustainable fishing and harvesting, increasing greenhouse gas (GHG) emissions, global warming, and environmental catastrophes resulted from global warming, rising sea levels devastating coastal areas worldwide etc. Responsible procurement means
implementing resource management process in line with sustainable development, observation of human rights and labor condition. Forest certification is commonly defined as a procedure whereby an independent third party inspects forest management and utilization practices to assess compliance with a set of ecological, economic and social standards for sustainable forestry. By its definition, forest certification can be seen as an instrument for companies to clarify their commitment in pursuing CR.

In regard to environmental responsibility, companies are facing more and more regulations affecting their activities. Discussion about mandatory reporting on corporate environmental issues has been increasing. Environmental reporting has been developed in sense that there already exist generally acknowledged standards and codes, and therefore benchmarking is possible.

3.7.3 Social focus

As the public consensus on environmental issues is growing, the social aspect has also become significantly important in the whole setting of CR. Many social concerns are closely related to human rights, because human rights are relevant in various ways to the economic, social and environmental aspects of corporate activities.

Some research (e.g. Mikkilä and Toppinen, 2008) has shown that issues such as cultural traditions, rights of indigenous people, disparities in access to quality education, employment, and healthcare are gaining increasing media attention. In the light that consolidation and globalization of operations is increasingly common means of growing market share and enhancing profitability, negative impacts resulted from shifting production facilities to low costs location/countries, and disinvestment in the local communities have become great concerns in public debate of CR.

CR for employees is considered important by various stakeholders. Employees are most productive when they do meaningful jobs at unacceptable wages, in a healthy environment,
and when they are empowered to have a say, are respected for their contributions and have a good balance between work and family life (Andriof and McIntosh 2001, p. 16). A healthy and stable relationship between employees and the company will generate mutual benefits for both parties, e.g. highly motivated and productive diversity workforce for the company, high occupational safety and health, and space for personal development. Ultimately it will also contribute to the prosperity of the surrounding community. Andriof and McIntosh (2001) content that companies function best over the long run when the community they are in is healthy and has a below-average crime rate, adequate education and healthcare, available skilled labor and robust economic activity.

The influence of NGOs is nothing new from the stakeholder management perspective. NGOs are now being incorporated into the international business agenda and are recognized as legitimate actors in the international business field (Buckley, 2002; Betsill and Corell, 2001; Doh and Teegen, 2002; Doh and Ramamurti, 2003). Their significance originates in the bargaining power that has changed the traditional two-sided government-MNE bargaining relationship into a trilateral phenomenon (Doh, 2003). As NGOs have the ability to influence business, joint operations and dialogue with NGOs are perceived particularly important by the MNEs.

Partnership in the social aspect of CR refers to constructive cooperation with interest groups (e.g. governments, customers, industry partners, civil society and NGOs) when investigating, developing and promoting CR. Participations in community development, e.g. sponsoring education and other societal activities, supporting the economic welfare of the society, donating, promoting equality between sexes, adopting employee diversity, ensuring well-being of employees, are prevailing for companies to address their social concerns for the society and build up their corporate reputations.

Of the three corporate responsibility elements, social responsibility is the most recent trend. However, it is not a new phenomenon but more challenging for companies and their reporting practices. Issues in the realm of social responsibility are partly regulated by law (e.g. term of
employment, employment policy) especially in the developed nations whereas reporting on social responsibility is currently based on mainly voluntary initiatives.

3.8 AUDIENCE

Companies have a responsibility to stakeholders. A stakeholder is “any group of individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984, p. 46). The demands of stakeholders are often conflicting, and these conflicting interests have to be balanced. Companies should assess the strategies they pursue with different stakeholders depending on their potential threats and potential benefits for cooperation.

CR initiatives are most often stakeholder-driven. Without engagement of stakeholders, CR initiatives will be meaningless. As previously mentioned, the main purpose of CR reporting is to respond to user information needs. Because effectiveness of CR reporting depends on the accurate understanding of stakeholders’ interests, it is critically important for the company to identify its most relevant stakeholders (to whom), in order to construct the right information (what to say) in the right format (how to say) to the right audience.

TABLE 6 presents the major stakeholder groups and their primary interest in business corporations identified by the World Business Council for Sustainable Development (WBCSD 2000).
TABLE 6: Stakeholder groups and their interests in business corporation (WBCSD, 2000)

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Primary interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners &amp; investors</td>
<td>High profits</td>
</tr>
<tr>
<td>Employees</td>
<td>Consistent, fairly compensated employment</td>
</tr>
<tr>
<td>Customer</td>
<td>High quality products and service</td>
</tr>
<tr>
<td>Business partners</td>
<td>Fair, ethical treatment as partners</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Consistent customer upon which to base the supplier’s business</td>
</tr>
<tr>
<td>Competitors</td>
<td>Maintain industry image</td>
</tr>
<tr>
<td>Government regulators</td>
<td>Meeting or exceeding regulations</td>
</tr>
<tr>
<td>NGOs</td>
<td>Meeting or exceeding their expectations</td>
</tr>
<tr>
<td>Communities</td>
<td>Stable employment for community members</td>
</tr>
</tbody>
</table>

The answer to Whom CR reporting should be targeted depends on a number of factors, such as regulation, social and environmental demands, or business nature. If the company is clustered in a capital-intensive industry, the relationships with owners and investors will certainly become prior. How to attract the intention of owners and investor and ensure their continuous investment in the company is vital. Industries such as petrol refining, mining or forestry will have to pay more attention on their environmental performance in order to convince their key stakeholders (governmental regulators, environmental NGOs, consumers with environmental conscious etc.) that they are doing business ethically and environmentally friendly.

Panwar et al. (2006) and Mikkilä (2006) argue that different stakeholder groups often have varying and sometimes conflict interests. Thus, companies need to successfully predict and credibly respond to changing and sometimes volatile stakeholder views and expectations of CR in order to be able to balance stakeholders’ varying demands.
4 STATE OF CR PRACTICES IN THE FOREST PRODUCTS INDUSTRY

4.1 CR IN THE FOREST PRODUCTS INDUSTRY

In concert with the context-driven arguments on CR presented previously, Panwar and Hansen (2007) contend that while general guidelines are necessary to provide a global framework to CR, any standards in the global forest products industry must capture the context-driven spirit of CR. Even though overarching CR guidelines are globally relevant, any CR standards for global forest products companies must maintain context-specific components. A similar proportion of managers reported that pursuing CR is not a problem in Finland, but it is a problem in developing countries. On the consumer side, U.S. consumers highly value corporate economic responsibilities while French and German consumers are most concerned about businesses conforming to legal and ethical standards (Maingnan 2002). Vidal and Kozak (2007; 2008) further suggest that context plays a significant role in the corporate responsibility perception of forest products companies.

*Economic:* in recent years, the forest products industry has not adequately met investor expectations of financial returns. The industry suffered from poor profitability in the 1990s and the same trend has continued in this decade. The forest products industry must focus on economic profitability of operations to ensure expected returns. Beyond individual investors and owners, the industry also has obligations to produce taxable income and provide employment (Panwar et al., 2006).

Forestry has a special place within society beliefs and values. The public’s increasing environmental and social awareness has made the pressures on forestry companies intensified. (Näsi et al., 1997).

*Environmental:* in positively response to the demand of increasing environmental concerns by governments in the 1970s, the forest products industry has developed a renewed focus on sustainable use of natural resources and prevention of climate change through energy efficiency
and the reduction of pollutant emissions by adopting various standards (Panwar et al. 2006).

Globalization trends in the industry have served to raise public concern over issues of raw material sourcing and tracking through the supply chain. To ensure a responsible supply chain, some companies have established comprehensive tracking systems where materials can be followed from harvest to the customer. Corporate purchasing policies are becoming commonplace with many specially stating preferences for certified wood products or taking specific steps to eliminate the purchase of wood resulting from illegal logging (Panwar et al., 2006).

The environmental responsibilities of forest products industry companies extend to how forests are used beyond harvest in interests. Specially, multiple-uses of forests have become a standard in many countries. Multiple-use implies that many different entities and interests can benefit from forests. Additionally, there has been public debate on the industry’s responsibility to protect forests (Panwar et al., 2006).

**Social:** with the advent of public’s growing interests and consciousness on environmental issues, it is becoming critical that forest products companies effectively balance potentially conflicting stakeholder interests with social and economic responsibilities. Cultural traditions and rights of indigenous people are examples of these kinds of conflicts (Panwar, 2006).

### 4.2 CURRENT ISSUES FACED BY THE FOREST PRODUCTS INDUSTRY

Issues that forest products companies or managers consider important may be very different than those considered by society at large. A recent study by Panwar and Hansen (2007) helps us to obtain an understanding of the issues that are currently concerned in the forest products industry. TABLE 7 presents the issues found in North America, TABLE 8 the common issues perceived by both North American and Indian forest products companies, respectively.
TABLE 7: Economic, environmental and social issues found in the U.S. (Panwar and Hansen, 2007)

<table>
<thead>
<tr>
<th>Economic</th>
<th>Profitability related issues: falling product prices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market related issues: 1) shrinking markets &amp; declining raw material availability; 2) lack of consolidated purchasing mechanism-leading to higher purchasing costs</td>
</tr>
<tr>
<td>Environmental</td>
<td>Policy &amp; external issues: 1) structure of landownership; federal tax structure; differing state laws; 2) too much regulation to comply with; harvest shifting to smaller logs; 3) pressure from environmental nongovernment organization (ENGOs); 4) longer plant growth time in the U.S.</td>
</tr>
<tr>
<td></td>
<td>Forestry related issues: 1) increase in insects &amp; diseases &amp; with fires in the U.S.; 2) lack of sustainable forestry practices; high mortality rate; endangered species; 3) overstock of unhealthy forests; fragmentation of forests; 4) plantation forestry leading to monoculture; 5) “special place” issues (no forestry activity allowed at some places)</td>
</tr>
<tr>
<td></td>
<td>Manufacturing process &amp; policies issues: 1) lack of recycling</td>
</tr>
<tr>
<td>Social</td>
<td>Institutional issues: 1) too much legal interference</td>
</tr>
<tr>
<td></td>
<td>Worker-related issues: 1) lack of labor availability; illegal immigrants; 2) inadequate Health care provision; 3) unfair employee treatment</td>
</tr>
<tr>
<td></td>
<td>Community related issues: 1) more public security needed on environment &amp; land management; 2) problems of negative public image</td>
</tr>
<tr>
<td></td>
<td>Policy &amp; lifestyle issues: 1) lack of pressure on timberland investment management organizations (TIMOs); 2) urbanization leading to decreasing forestland</td>
</tr>
</tbody>
</table>
TABLE 8: Common issues in the forest products industry in the U.S. and India (Panwar and Hansen, 2007)

<table>
<thead>
<tr>
<th>Economic, environmental and social issues common in both the US and India</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
</tr>
<tr>
<td><em>Profitability related issues:</em></td>
</tr>
<tr>
<td>1) high transportation costs;</td>
</tr>
<tr>
<td>2) rising PR costs – liaison with more stakeholders;</td>
</tr>
<tr>
<td>3) rising natural gas prices;</td>
</tr>
<tr>
<td>4) high costs of environmental compliance</td>
</tr>
<tr>
<td><em>Market based issues:</em></td>
</tr>
<tr>
<td>1) uneven global playing field;</td>
</tr>
<tr>
<td>2) rising imports;</td>
</tr>
<tr>
<td>3) cheap imports</td>
</tr>
<tr>
<td><em>Financial issues:</em></td>
</tr>
<tr>
<td>1) lack of capital for modernization;</td>
</tr>
<tr>
<td>2) shrinking land availability for forestry</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
</tr>
<tr>
<td><em>Manufacturing process related issues:</em></td>
</tr>
<tr>
<td>1) high energy consumption;</td>
</tr>
<tr>
<td>2) lack of renewable resource use;</td>
</tr>
<tr>
<td>3) point &amp; non-point pollution (air &amp; water);</td>
</tr>
<tr>
<td>4) waste management;</td>
</tr>
<tr>
<td>5) purchasing policies</td>
</tr>
<tr>
<td><strong>Social</strong></td>
</tr>
<tr>
<td><em>Overarching issues:</em></td>
</tr>
<tr>
<td>1) global warming;</td>
</tr>
<tr>
<td>2) declining bio-diversity;</td>
</tr>
<tr>
<td>3) deforestation;</td>
</tr>
<tr>
<td>4) climate change</td>
</tr>
<tr>
<td><em>Worker related issues:</em></td>
</tr>
<tr>
<td>1) declining employment</td>
</tr>
<tr>
<td><em>Community related issues:</em></td>
</tr>
<tr>
<td>1) lack of engagement with community</td>
</tr>
</tbody>
</table>

4.3 PREVIOUS RESEARCH ON CR REPORTING IN THE FOREST INDUSTRY

Since the early 1990s, forest products companies have widely embraced CR reporting with a focus on their environmental performance and concerns. The European industries have a longer history of reporting CR initiatives when compared to the North American and Asian industries. In studying the motivation drivers of environmental reporting of largest forest products companies in the world, Rinne (2003) concludes that 1) ethical motivation drivers are relatively strong throughout the world, especially in Europe and Asia. Companies’ ethical motivation drivers mainly reflect green values and responsibility for future generation. Asian companies
clearly place ethical aspects as the dominant motivation driver for environmental reporting, leaving legal and economic aspects much less emphasized. 2) North American companies value legal and economic issues more important than the ethical ones in their reporting, whereas European and Asian companies consider legal motivation driver are more or less minor. 3) Economic motivation drivers are a strong factor in Europe as well as in North America.

European forest products companies’ reporting initiatives have primarily been driven by ethical factors, whereas the North American industries have been driven by legal considerations. European companies focused largely on past performance and actions taken whereas North American companies focused on responsibility policies and procedures that will influence future actions (Panwar et al., 2006).

More recently, Mikkilä and Toppinen (2008) conduct a study on corporate responsibility reporting by ten largest pulp and paper companies in the world. Based on their assumption that emphasis on philanthropy can be interpreted as an ethical factor whereas certification is more related to regulatory factor, they conclude some regional characteristics among the analyzed companies: philanthropy by North American (especially consumer goods) companies, certification by Nordic and forest-based companies, and employee loyalty by Japanese companies. They also speculate that such regional characteristics may have more impact on the small- and medium-scale forest products industry companies focusing on the home region. Though forest products companies are trying to reach a balance in their multi-dimensional (economic, environmental, and social) CR reporting, the current CR reports by forest products companies are found to place relatively less emphasis on the social aspect (Panwar et al., 2006; Vidal and Kozak, 2008; Routto, 2008).
5 METHODOLOGY AND FRAMEWORK OF THE STUDY

5.1 METHODOLOGY OF THE STUDY

5.1.1 Corporate documents as source of material for the study

The annual report is the most publicized and visible document produced by publicly owned companies. It is the principal means by which corporations communicate explanations of past performance, expectations of future results, and any other information the company feels it is important to convey to the public (Staw et al., 1983).

Although the corporate annual reports are designed primarily to report to investors on past financial activities, they are one of the major sources of information used by a wide range of users. For example, they may be read by environmentalists (Roberts, 1992). Annual reports are thus being increasingly employed to disseminate many different types of information. Social disclosure studies and scoring protocols principally focus on the annual report (Adams and Harte 1998, p. 784).

Yet annual reports are not the only reporting vehicle available for corporations. Corporations are likely to also use other kinds of media, such as press releases, advertisements, and separate reports (e.g. specific environmental reports, CR report, non-financial information, sustainability reports, executive summary reviews, and web-based information) to disclose their CR activities. Each reporting media at least to some extent reflects a company’s corporate CR concerns.

Since recent researches have claimed that social issues are relatively less emphasized in companies’ reporting, there are a growing number of companies (in particular large companies) that attempt to respond to such demand of their key stakeholders by producing a so-called sustainability report which is aimed at achieving a balance in reporting on the triple bottom lines.
In this very study, only the annual report and sustainability report are chosen as source of CR disclosures by the sample companies.

5.1.2 Content analysis

The methodology applied in this study is content analysis. The definition of content analysis by Berelson (1952, p.18) is often quoted: “Content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication.” Berelson includes the important specification of the process as being objective, systematic, and focusing on content’s manifest (or denotative or shared) meaning (as opposed to connotative or latent “between-the-lines” meaning). It is a method of studying and analyzing communications in a systematic, objective, and quantitative manner to measure variables. Most content analysis, by contrast, has been used to simply “to determine the relative emphasis or frequency of variation communication phenomena”, and not to infer to important theoretical concepts (Krippendorff, 1973, p. 525).

Quantitative content analysis is reductionist, with sampling and operational or measurement procedures that reduce communication phenomena to manageable data (e.g. numbers), from which inferences may be drawn about the phenomena themselves (Krippendorff, 1980, p. 21) Content analysis is meant for systematic procedures in studying the content of written documents. Holsti (1969) and Riffe et al (1998) claim that content analysis is useful, or even necessary, when:

- Data accessibility is a problem and the investigator is limited to using documentary evidence;
- The communicator’s “own language” use and structure is critical (e.g., in psychiatric analysis);
- The volume of material exceeds the investigator’s individual capability to examine it.

FIGURE 3 below illustrates how content analysis is structured in this study.
5.2 THEORETICAL FRAMEWORK OF THE STUDY

5.2.1 Theoretical framework of the study

Introduced by Niskala and Tarna (2003), the multi-dimensional construct of CR emphasizes the interdependence among economic, environmental, and social dimensions in responsible business behavior. These elements of CR are generally referred to as the “triple bottom line” (Elkington, 1994; 1998), implying CR is the balancing of economic, social and environmental roles that on, companies play when conducting business. The multi-dimensional model is adopted in designing the theoretical framework of this study. In addition, the stakeholder theory approach is also taken in this study in identifying for whom the company holds responsibilities.

FIGURE 4 below presents the theoretical framework designed to solve the research questions in this study. The research problem of this very study can be structured as “Corporate responsibility reporting of the largest forest products companies in North America”. 

FIGURE 3: Framework of content analysis for the study
FIGURE 4: Theoretical framework of the study

To note, environment refers to e.g. the physical, social and industrial context the communication between the sender (the corporations) and the receiver (the potential stakeholders) takes place in. Attributes of social, economic, and culture etc. may be related to differing CR initiatives and reporting (see Section 3.3 CONTEXT-DRIVEN EXPECTIVES ON CR).

Environments can place expectation and constraints on communication. As described previously, this very study intends to study what information largest forest products companies in North America produce in their CR reporting. Therefore, the study will only
concentrate on analyzing the (one-side) messages sent by the sender (the corporations) to the receiver (the potential stakeholders) under different context in terms of country, sector, and type of report.

5.2.2 Operationalizations of the framework

5.2.2.1 Ethics and values of business corporation

Category Ethics & Values of Business Corporation is divided into two subcategories: Social principles & guidelines, and Business behavior. The subcategories are defined under each category.

EV-1: Social principles and Guidelines

- **CPS - CR Policy Statements**
  - A statement that the corporation has a CR-policy

- **CEW - Environmental welfare at the Cost of corporate profits**
  - Environmental welfare is being emphasized at expense of corporate profits

- **CGT - Goals and Targets**
  - Disclosures of goals, targets or objectives for CR-policy to meet

- **CSG - Standards and Guidelines**
  - Remarks of standards, guidelines or guiding principles that are set to meet CR objectives

- **CAP - Action Plans**
  - Disclosures of action plans that are made out to execute the CR-policies and targets
• **CPC - Commitment of Top Management**
  - Comments of manager-level commitment to CR

EV-2: *Business Behavior* –

• **LEG – Legitimacy**
  - Disclosures of law being observed in corporation’s action

• **IGT – Integrity**
  - Statements of corporation’s integrity, moral values in business behavior, incorruptibility and comments of “doing the right thing(s)”

• **INI – Initiative**
  - Corporation indicates that it has the ability to start and take the first steps to CR actions

• **EDT – CR Education and Training of the personnel**
  - The personnel are given the chance to be part of the CR-program and to understand the consequences and impacts of their individual operations.

• **ACC – Accountability**
  - Corporation keeps track of operations
  - Corporation makes the trail of responsibilities exposed

• **MEF – Mutual Ethics Funds**
  - Corporation has been accepted in a portfolio of a mutual ethical fund

• **COP – Contingency Planning**
  - Planning is done to address unwanted occurrences that may happen at a later time
• **SHC – Shareholder Commitment**
  - The corporation declares commitment to make profit for its shareholders
  - Disclosure of meeting the shareholders’ expectation for return

• **STC – Stakeholder Commitment**
  - The corporation declares commitment to create welfare for a group of stakeholders
  - Any group of stakeholder is declared to be dedicated and involved to corporation’s responsible operations

5.2.2.2 Communication

The main purpose of CR reporting is to respond to user information needs (especially those of targeted audience). To ensure the success in CR reporting, the producer must be aware of a number of factors which may lead CR reporting to fail. For example, does the CR reporting represent remarkable differences in terms of environmental, social and economic values? Are the style, format and content of the report constructed in favor of the readers? Being aware of such factors will certainly help the producer to 1) better understand the assumptions of the targeted audience, and 2) design reporting that accurately perceived by the targeted audience.

Category Communication is divided into three subcategories: Internal Communication, External Communication, and Social & Ethical Accounting.

CO-1: **Internal Communication**

• **IRP – Internal Reporting Policy**
  - Corporation discloses methods and routines of corporation's internal communicating
• IRC – Economic Internal Reporting
  ➔ Corporation states that it covers and communicates corporation's economic performance to personnel

• IRN – Environmental Internal Reporting
  ➔ Corporation states that it covers and communicates corporation's environmental actions to personnel

• IRS – Social Internal Reporting
  ➔ Corporation states that it covers and communicates corporation's actions related to stakeholders to personnel
  ➔

• IBU – Internal Bulletins
  ➔ Disclosures of corporation keeping personnel up-to-date and informed of current issues

• IRI – Internal Reporting Integrity
  ➔ Disclosures of integrity, honesty or reasonability of internal communication

• IRA – Internal Reporting Accuracy
  ➔ Comments on fidelity and exactness of information distributed internally

• IRR – Internal Reporting Reactivity
  ➔ Corporation states that it has ability and/or willingness to respond to different new phenomena and distribute information internally

CO-2: External Communication

• EAD – Advertising
  ➔ Corporation states that it communicates CR in advertising
• **ERP – External Reporting Policy**
  - Corporation has methods and routines of communicating to corporation's interest groups and stakeholders
  - Corporation publishes reports required by law and/or society
  - Disclosures made that a corporation executes open and/or spontaneous informing of its environmental issues

• **ERC – Economic External Reporting**
  - Corporation covers and communicates economic performance to its share- and stakeholders
  - Comments of increasing the public knowledge of forest industry's operations and operating principles

• **ERN – Environmental External Reporting**
  - Statement of giving information of environmental interrelations and impacts to corporation's interest groups
  - Giving useful information that genuinely helps customers

• **ERS – Social External Reporting**
  - Statement of giving information of environmental interrelations and impacts to corporation's interest groups
  - Giving useful information that genuinely helps customers

• **EBU – External Bulletins**
  - Corporation states that it keeps corporation's interest groups up-to-date and informed of current issues
  - Corporation has easily accessible information about forest industry corporation's environmental effects.
• **ERIa – External Reporting Integrity**
  - Comments of integrity of environmental reporting or being reliable or truthful in reporting environmental related issues
  - Disclosures of genuine interest to the state of environmental performance of the company
  - Disclosures of honesty or reasonability of information distributed to shareholders and all interest groups

• **ERA – External Reporting Accuracy**
  - Statements of fidelity and exactness of the information distributed externally
  - Comments of the "inconvenient truth" in reporting to the public

• **ERR – External Reporting Reactivity**
  - Corporation has ability and willingness to respond to different phenomena and distribute this information

CO-3: **Social and Ethical Accounting**

• **SEP – Social and Ethical Accounting Policy**
  - Corporation states that it measures its social and ethical performance

• **SAS – Social and Ethical Accounting Standards**
  - Corporation has standards in social and ethical performance

• **SEA – Social and Ethical Auditing**
  - Comments of accountability to its stakeholders
  - Corporation states that it commits itself to following the audits recommendations
5.2.2.3 Content of corporate responsibility

The operationalizations of content of CR are designed to gather the disclosures related to the three focus areas of CR: Economic Focus, Environmental Focus, and Social Focus.

CSR-1: Economic Focus

- **COM – Competitiveness**
  - Disclosures of development of corporate competitiveness
  - Comments on ability to compete effectively with other corporations
  - CR is stated as a competitive advantage

- **PRO – Profitability**
  - Meeting shareholders' profit expectations
  - Development of corporate profitability

- **INN – Innovation**
  - Innovating more responsible ways and methods of operation

- **INW – Investments**
  - Investing to socially responsible targets

- **EFF – Efficiency**
  - Economic efficiency is related to responsible actions

- **INV – Impacts on public sector (Taxes)**
  - Effects of taxes paid due to responsible actions

- **IPS – Impacts on Public Sector (Taxes)**
  - Effects of taxes paid due responsible actions
• **IPE – Impacts on Personnel**
  ∘ Disclosures that personnel is affected by CR policy

• **IPP – Impacts on Partners and Subcontractors**
  ∘ Co-operation with other companies
  ∘ Disclosures that economic interest groups are affected by corporation's CR

• **FUN – Funds**
  ∘ Corporation’s financing makes investments in ethical funds

• **CLW – Competition Law**
  ∘ Comments on competition law
  ∘ Mentioning competition law aspects that steer corporation's CSR actions

CSR-2: Environmental Focus

• **RES – Natural Resources**
  ∘ Sustainable use of raw materials and other natural resources
  ∘ Investing in sustainable use of natural resources above legal requirements

• **RRM – Recycled Raw Materials**
  ∘ The use of recycled materials
  ∘ Recycling own raw materials

• **PLA – Plantations**
  ∘ Using plantation forests as raw material
  ∘ Plantations are created

• **SUS – Environmental Sustainability (Including Biodiversity)**
  ∘ Securing biodiversity of nature
Investing in securing the biodiversity above legal requirements

- **FOP - Forest protection**
  - Disclosures on forests protection
  - Forest protection above legal requirements

- **NEV – Non-economic Values of Forests**
  - Taking into consideration also other than monetary values of forest

- **ERI – Environmental Risks and Impacts**
  - Corporation states that it acknowledges environmental risks and impacts of corporation's actions

- **ENC – Energy Consumption**
  - Disclosures of acknowledging energy consumption’s consequences
  - Reducing energy consumption
  - Using or promote the usage of biomass
  - Using alternative energy sources

- **WAP – Water Pollution**
  - Water protection
  - Water protection above legal requirements
  - Water consumption reduction

- **AIP – Air Pollution**
  - Air protection
  - Diminishing emissions to air
  - Air protection in compliance with legal requirements
• **SOP – Soil Pollution**
  - Soil protection
  - Discharge of polluting substances into soil
  - Soil protection above legal requirements

• **GLE – General Level of Emissions**
  - Reducing the overall level of emissions

• **WAS – Solid Waste**
  - Discarded solid materials
  - Reducing solid waste
  - Managing solid waste

• **TRA – Transportation**
  - Environmental aspects considered in transport methods

• **REC – Recycling**
  - Recycling of waste
  - Investing in taste recycling above legal requirements

• **LCA – Life-Cycle Approach**
  - Calculating the overall impacts of operations

• **CER - Forest Certification**
  - Certification of corporate forests
  - Promotion of forest certification

• **CLI - Climate Change**
  - Acknowledging climate change
  - Taking action to prevent climate change
• **ELW – Environmental Law**
  - Observing environmental law in operations

CSR-3: **Social Focus**

• **PEW – Personnel Welfare**
  - Corporation states it is taking care of its workers necessities and needs
  - Investing in personnel welfare

• **EMC – Employee Contracts**
  - Making Contracts that ensure also personnel benefits and welfare

• **EMB – Employee Benefits**
  - Giving supporting perks to personnel

• **EMD – Employee Development/Training**
  - Ensuring the well-being and personal development of personnel by education
  - Development of personnel's know-how
  - Co-operation with school and educational institutes
  - Development of co-operation with schools and educational institutes

• **RED – Redundancies**
  - Equality between sexes
  - Diminishing racial discrimination

• **SAW – Safety at Work**
  - Methods and actions taken to ensure safety
  - Investing in product safety
• **CON – Co-operation with NGOs**
  - Joint operations and dialogue with NGOs

• **CLS – Co-operation with Local Societies**
  - Relationships with local people and communities
  - Supporting the economic welfare of the society

• **CFO – Co-operation with Landowners**
  - Statements handling relationships with forest owners

• **CHA – Charity**
  - Charitable donations

• **SPO – Sponsorship**
  - Sponsorship in societal activities

• **PAR – Partnership**
  - Co-operation with interest groups to ensure responsible actions
  - Requiring responsible actions from partners

• **FAI – Fair Trading Practices**
  - Acquiring fair trade practices to corporation's actions

5.2.2.4 Audience

Key stakeholders consist of Shareholders, Customers, Employees, Nature, Surrounding Society, Forest Owners, and Non-governmental Organizations. How the stakeholders view the company depends on the different stakes they hold. As a whole, benefits for each of the stakeholder groups should be taken into consideration.
• SHA – Shareholders
  ➢ The benefits for forest industry corporations’ shareholders are emphasized

• CUS – Customers
  ➢ The benefits for forest industry corporations’ customers (industrial and final) are emphasized

• EMP – Employees
  ➢ The benefits for forest industry corporations’ employees are emphasized

• NAT – Nature
  ➢ The benefits for nature are emphasized

• SSO – Surrounding Society
  ➢ The benefits for surrounding society are emphasized

• FOR – Forest Owners
  ➢ The benefits for forest owners are emphasized

• NGO – Non-governmental Organizations
  ➢ The benefits for NGOs are emphasized

6 DATA AND ANALYSIS

6.1 DATA OF THE STUDY

The study intends to examine the CR issues in the corporate reporting produced by the forest products industry companies in North America. The primary criterion of this study requires that a sample company should produce annual report, CR report, and sustainability report in year 2006. Therefore, only the companies which match this criterion are considered in this
Starting from the Top 100 forest industry companies worldwide ranked by Pulp and Paper International (September 2006), thirty five companies were found in the North America category. Finally, only eleven companies were considered qualified for this study when the above-mentioned criterion applied.

Among the chosen companies, Georgia-Pacific was an exception. Georgia-Pacific became privately owned in September 2005. Since then, the company no longer provides any corporate reporting (such as annual report, environmental report, social performance report etc.) publicly available. Instead of written report, Georgia-Pacific provides rather comprehensive information about its thinking, values, progress, strategy and actions taken towards sustainability. Taking the significant role it plays (in tissue, packaging, paper, pulp, and building products and related chemicals) in the North American forest products industry, as well as in the global forest products industry into account, the company was included for study.

The eleven companies chosen for this study are presented in TABLE 6. They present the biggest forest industry companies/corporations in the North America by measuring in terms of annual sales volume, production, and number of employees.

To answer the research questions, the study examines the CR reporting of the sample forest products industry companies in North America presented in TABLE 9. Each of these companies produces the equivalent of at least 1,000 tonnes of paper and board. As a group, they account for more than 50% of paper and board production, and over 40% of total sales of the North America. They have an annual combined turnover of over $50 billion (50Bn), and hire over 30% of the employees of the North American forest products companies ranked by PPI Magazine.
Table 9: The largest North American forest industry companies chosen for study

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Company</th>
<th>HQ</th>
<th>Total Sales*</th>
<th>P&amp;B Sales*</th>
<th>P&amp;B Production*</th>
<th>Employees No.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>IP</td>
<td>Memphis, US</td>
<td>21,095.0</td>
<td>21,995.0</td>
<td>13,794</td>
<td>60,600</td>
</tr>
<tr>
<td>NA</td>
<td>Georgia-Pacific</td>
<td>Atlanta, US</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>50,000</td>
</tr>
<tr>
<td>3</td>
<td>P&amp;G</td>
<td>Cincinnati, US</td>
<td>11,972.0</td>
<td>NA</td>
<td>1,600(e)</td>
<td>125,000</td>
</tr>
<tr>
<td>7</td>
<td>Weyerhaeuser</td>
<td>Federa Way, US</td>
<td>9,513.0</td>
<td>NA</td>
<td>8,680</td>
<td>46,700</td>
</tr>
<tr>
<td>9</td>
<td>Kimberly-Clark</td>
<td>Irving, US</td>
<td>8,700.7</td>
<td>NA</td>
<td>NA</td>
<td>55,000</td>
</tr>
<tr>
<td>19</td>
<td>Abitibi-Cons.</td>
<td>Montreal, Ca</td>
<td>3,629.4</td>
<td>2,297.7</td>
<td>5,234.0</td>
<td>12,500</td>
</tr>
<tr>
<td>22</td>
<td>Sonoco</td>
<td>Hartsville, US</td>
<td>3,287.2</td>
<td>NA</td>
<td>1,500(e)</td>
<td>17,000(e)</td>
</tr>
<tr>
<td>24</td>
<td>Domtar</td>
<td>Montreal, Ca</td>
<td>3,153.5</td>
<td>2,227.2</td>
<td>2,062.0</td>
<td>10,000</td>
</tr>
<tr>
<td>25</td>
<td>Temple-Inland</td>
<td>Austin, US</td>
<td>2,977.0</td>
<td>136.0</td>
<td>3,371.0</td>
<td>15,500</td>
</tr>
<tr>
<td>27</td>
<td>Cascades</td>
<td>Kingsley, Ca</td>
<td>2,776.9</td>
<td>2,657.3</td>
<td>3,007.0</td>
<td>14,243</td>
</tr>
<tr>
<td>43</td>
<td>Catalyst</td>
<td>Vancouver, Ca</td>
<td>1,659.2</td>
<td>1,659.2</td>
<td>1,182.0</td>
<td>3,496</td>
</tr>
</tbody>
</table>

Note: Total sales: results from pulp, paper & converting operations only.

*: $ million

NA: means not available and indicates that the company declined to supply data and no estimate was possible. Production figures are to nearest 1,000 tonnes.

e: is a PPI estimate and indicates that the company declined to supply data.

6.2 Measurement, Reliability and Limitation of the Data

To serve the need for content analysis in this study, the data was collected from both the annual reports and sustainability reports provided by the sample companies. To ensure the validity of a content analysis, one should be able to answer three questions, namely: 1) are the content categories and relevant elements correctly defined? 2) How the chosen variables must correspond to the described phenomena? And 3) is the operationalizations of the framework
of content analysis specified in a sufficient manner?

Eleven companies were chosen for this research. Twenty one copies of annual reports and CR reports were analyzed; more than 1700 pages were coded. An independent Excel-formatted matrix was developed to register the coding data based on the framework and its operationalizations. The disclosures presented in Chapter 5.2.2 (under Operationalizations of the framework) are given a marking every time they appear.

This research utilizes similar variables in operationalizations by Routto (2008) respectively, in order to become comparable with their studies. Since there are eighty-six recording units all together, they are to be categorized into nine summative variables based on the theoretical framework of the study, in order to measure the different dimensions of CR reporting.

In content analysis, studies have relied mainly on simple measures, e.g. paragraph counts, page counts of reports to compare the extent of reporting, which may not capture significant differences in the content of the reports. With the aim to overcome some of these deficiencies and improve the accuracy and reliability of the findings, the study adopts word counts as the simple measure.

Several limitations of this study should be kept in mind. First, the analysis was based on two types of communication – separate CR reports and annual report – and did not investigate other means of communication. Second, the measure of relative importance of CR-related issues is based on concept mapping and word frequency in the reports. Although the measure used in this study provides a good indication of the relative importance of the issues that the company wishes to portray to readers of the reports, it may not necessarily equate with the importance attached to the issues in actual implementation of CR by the company. Third, the conclusion is to be drawn from a relatively small number of forest products companies in North America. The companies included in this study are among the largest firms in their home market and their CR reporting might not be the representative of those, adopted by those smaller companies.
7 RESULTS OF THE STUDY

7.1 BACKGROUND OF THE COMPANIES

TABLE 10 indicates that there are three different background variables formed in this study: 1) Country; 2) Sector; and 3) Type. Variable Country means that the sample companies are divided into two groups in terms of country of origin: 1) USA; 2) Canada. Variable Sector means that the sample companies are divided into three groups in terms of production: 1) Consumer products; 2) Integrated products; 3) Pulp & paper & packaging. Variable Type means that all the selected corporate reports produced by the sample companies are divided into two types: 1) Annual report; 2) Sustainability report.

<table>
<thead>
<tr>
<th>THREE BACKGROUND VARIABLES OF THE STUDY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Sector</strong></td>
</tr>
<tr>
<td><strong>Type of report</strong></td>
</tr>
</tbody>
</table>

TABLE 10: Background variables of the study

**Distribution of the three background variables:**

1) **Country**

Among the eleven North American companies selected for this study, seven companies are US-based (63.6%), four are Canadian companies (36.4%).

2) **Sector**

Among the selected companies for this study, there are two Consumer Products companies,
six Integrated Forest Products companies, three Pulp & Paper & Packaging companies, representing 18.2%, 54.5% and 27.3% of the selected companies for the study respectively.

3) Type of report

Among the twenty-one corporate reports selected for this study, there are ten annual reports, eleven sustainability reports, representing 47.6% and 52.4% of the selected reports for this study respectively.

7.2 DIMENSIONS OF CR REPORTING

7.2.1 General view on the distribution of the nine summative variables

Based on the theoretical framework of the study, all the recording units are re-grouped into nine summative variables, as summarized in TABLE 11 below:

<table>
<thead>
<tr>
<th>NINE SUMMATIVE VARIABLES OF THE STUDY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Social Principles &amp; Guidelines, 6 individual variables</td>
</tr>
<tr>
<td>2) Business Behavior, 9 individual variables</td>
</tr>
<tr>
<td>3) Economic Focus, 12 individual variables</td>
</tr>
<tr>
<td>4) Environmental Focus, 19 individual variables</td>
</tr>
<tr>
<td>5) Social Focus, 13 individual variables</td>
</tr>
<tr>
<td>6) Internal Communication, 8 individual variables</td>
</tr>
<tr>
<td>7) External Communication, 9 individual variables</td>
</tr>
<tr>
<td>8) Social &amp; Ethical Accounting, 3 individual variables</td>
</tr>
<tr>
<td>9) Audience, 7 individual variables</td>
</tr>
</tbody>
</table>

TABLE 11: Summative variables of the study
1) Distribution of frequency of Social Principles & Guidelines

FIGURE 5: Distribution of frequency of SOCIAL PRINCIPLES & GUIDELINES

As illustrated in FIGURE 5, thirteen out of twenty-one reports paid rather little attention to the disclosure of social principles and guidelines in their CR reporting, whereas there were only three reports emphasized the corresponding issue particularly frequently.

2) Distribution of frequency of Business Behavior

FIGURE 6: Distribution of frequency of BUSINESS BEHAVIOR

FIGURE 6 indicates that ten out of twenty-one reports clearly have the least focus on the disclosure of business behavior, whereas the corresponding disclosure was emphasized significantly frequently by one report, and received more or less attention in the other nine
reports respectively.

3) **Distribution of frequency of Economic Focus**

**FIGURE 7: Distribution of frequency of ECONOMIC FOCUS**

Economic Focus represents the second most emphasized summative variable of the study. As indicated in FIGURE 7, eleven reports frequently mentioned the disclosure of economic focus with a number of frequency values differing from 50 to 225, whereas the corresponding summative variable was comparatively less emphasized in the other ten reports respectively.

4) **Distribution of frequency of Environmental Focus**

**FIGURE 8: Distribution of frequency of ENVIRONMENTAL FOCUS**
FIGURE 8 suggests that, though the results of the study suggest that Environmental Focus was ranked behind Social Focus and Economic Focus by the North American companies, obviously, disclosure of Environmental Focus still received significant weight in the CR reporting. One report placed most focus on environment-related issues, nine reports emphasized the corresponding summative variable with a number of frequency values differing from 50 to 150, whereas eleven reports mentioned the disclosure less respectively.

5) Distribution of frequency of Social Focus

FIGURE 9: Distribution of frequency of SOCIAL FOCUS

Social Focus was most emphasized by the North American companies in this very study. FIGURE 9 suggests that Social Focus represents the summative variable with the highest mean and number of measurements. Eleven reports emphasized social-related disclosures with a number of frequency values differing from 50 to 300, whereas ten reports placed comparatively less weight on the corresponding issues respectively.
6) Distribution of frequency of Internal Communication

As presented in FIGURE 10, by representing the summative variable with the lowest mean and a number of values differing from zero to 15, Internal Communication was suggested to be the least emphasized summative variable by the North American companies in this study. Disclosure of Internal Communication was scarcely seen in all the selected reports.

7) Distribution of frequency of External Communication

Similarly to Internal Communication, disclosure of External Communication was scarce in the CR reporting by the North American companies in this study. FIGURE 12 demonstrates
that seventeen out of twenty-one reports put little emphasis on external communication-related issues, whereas four reports seemed to have comparatively more attention on the corresponding issues.

8) **Distribution of frequency of Social & Ethical Accounting**

FIGURE 12: Distribution of frequency of SOCIAL & ETHICAL ACCOUNTING

FIGURE 12 indicates that Social and Ethical Accounting was the second least emphasized summative variable by the North American companies. Thirteen reports placed rather low weight on the corresponding issues, whereas other eight reports emphasized more comparatively.

9) **Distribution of frequency of Audience**

FIGURE 13: Distribution of frequency of AUDIENCE
Audience was among the least emphasized summative variables in this very study. FIGURE 14 illustrates that only two reports seemed to have very clear focus on mentioning the benefits for their target stakeholder groups, whereas other nineteen reports obviously paid rather little attention to the corresponding issues.

In sum, Social Focus represents the most emphasized dimension, Economic Focus second and Environmental Focus third most dimensions respectively in this very study, whereas Internal Communication is least mentioned. It also seems that External Communication, Social & Ethical Accounting, and Audience received significantly less attention when compared with other dimensions of CR reporting.

7.2.2 Individual view on the distribution of summative variables

1) Frequency of SOCIAL PRINCIPLES & GUIDELINES’ variables

TABLE 12: Distribution of variables of Social Principles & Guidelines

<table>
<thead>
<tr>
<th></th>
<th>CPS</th>
<th>CEG</th>
<th>CGT</th>
<th>CSG</th>
<th>CAP</th>
<th>CPC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>0.6667</td>
<td>1.4762</td>
<td>4.0571</td>
<td>10.3810</td>
<td>1.6667</td>
<td>16.5714</td>
</tr>
</tbody>
</table>

Among the summative variable Social Principles & Guidelines, CPC (Commitment of Top Management) represents the most emphasized individual variable, whereas variable CPS (CR Policy Statements) seems to be least mentioned in the selected companies in their CR reporting. In addition, CSG (Standards & Guidelines) ranks the second most emphasized variable, while variables CEG (Environmental Welfare & Corporate Profits), CAP (Action Plans), and CGT (Goals & Targets) receive significantly low attentions.
2) Frequency of BUSINESS BEHAVIOR’s variables

TABLE 13: Distribution of variables of Business Behavior

<table>
<thead>
<tr>
<th></th>
<th>LEG</th>
<th>IGT</th>
<th>INT</th>
<th>EDT</th>
<th>ACC</th>
<th>MEF</th>
<th>COP</th>
<th>SHC</th>
<th>STC</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>8,6857</td>
<td>8,4762</td>
<td>5714</td>
<td>2,8085</td>
<td>8,8935</td>
<td>6,1428</td>
<td>2,3381</td>
<td>5,0000</td>
<td>1,985</td>
</tr>
</tbody>
</table>

Under the summative variable Business Behavior, individual variable IGT (Integrity) is most frequently mentioned in the selected CR reports, followed by LEG (Legitimacy), MEF (Mutual Ethics Funds), and SHC (Shareholder Commitment). STC (Stakeholder Commitment) is the least frequently mentioned variable, followed by COP (Contingency Planning), INI (Initiative), ACC (Accountability), and EDT (CR Education & Training of the Personnel) respectively.

3) Frequency of INTERNAL COMMUNICATION’s variables

TABLE 14: Distribution of variables of Internal Communication

<table>
<thead>
<tr>
<th></th>
<th>IRP</th>
<th>IRC</th>
<th>IRN</th>
<th>IRS</th>
<th>IBU</th>
<th>IRI</th>
<th>IRA</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>8,008</td>
<td>8,000</td>
<td>8,008</td>
<td>8,0478</td>
<td>8,1965</td>
<td>8,4762</td>
<td>8,1429</td>
<td>8,0478</td>
</tr>
</tbody>
</table>

It seems that all the eight variables under the summative variable Internal Communication received significantly low attentions in the CR reporting by the selected companies. In particular, IRC (Economic Internal Reporting) and IRN (Environmental Internal Reporting) were not mentioned in the selected CR reporting.
4) Frequency of EXTERNAL COMMUNICATION's variables

TABLE 15: Distribution of variables of External Communication

<table>
<thead>
<tr>
<th>N Valid</th>
<th>FAD</th>
<th>FRC</th>
<th>ERN</th>
<th>ERS</th>
<th>EBU</th>
<th>ERP</th>
<th>ERA</th>
<th>ERR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>8571</td>
<td>2,5238</td>
<td>1,1429</td>
<td>7143</td>
<td>3333</td>
<td>1,8395</td>
<td>2,2381</td>
<td>0,476</td>
</tr>
</tbody>
</table>

Similar to the situation of the summative variable Internal Communication, all the nine individual variables under the summative variable External Communication receive obviously less attentions when compared with other summative variables. Variable ERR (External Reporting Reactivity) ranks the least frequently emphasized in the selected CR reporting.

5) Frequency of SOCIAL & ETHICAL ACCOUNTING's variables

TABLE 16: Distribution of variables of Social & Ethical Accounting

<table>
<thead>
<tr>
<th>N Valid</th>
<th>SEP</th>
<th>SAS</th>
<th>SEA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>3.2057</td>
<td>3.4702</td>
<td>1.8571</td>
</tr>
</tbody>
</table>

Among the three individual variables of the summative variable Social & Ethical Accounting, SEA (Social & Ethical Accounting) represents the least frequently emphasized variable, when similarly little attentions are paid to variable SEP (Social & Ethical Accounting Policy) and variable SAS (Social & Ethical Accounting Standards) as well.
6) **Frequency of ECONOMIC FOCUS’s variables**

**TABLE 17: Distribution of variables of Economic Focus**

<table>
<thead>
<tr>
<th>In Valid</th>
<th>PRO</th>
<th>COM</th>
<th>INN</th>
<th>INV</th>
<th>ENV</th>
<th>EFF</th>
<th>ECI</th>
<th>IPS</th>
<th>IPE</th>
<th>IFP</th>
<th>FUN</th>
<th>CLW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>20.6011</td>
<td>14.4762</td>
<td>12.0000</td>
<td>3.3810</td>
<td>5.0600</td>
<td>4.4268</td>
<td>.6476</td>
<td>.0038</td>
<td>1.2311</td>
<td>5.6190</td>
<td>.5714</td>
<td>.0000</td>
</tr>
</tbody>
</table>

Under the summative variable Economic Focus, PRO (Profitability) represents the most frequently mentioned variable followed by COM (Competitiveness) and INN (Innovation), whereas IPS (Impacts on Partners & Subcontractors) and CLW (Competition Law) are not even mentioned at all. In addition, the rest of the variables under Economic Focus seem to receive similarly little attention respectively.

7) **Frequency of ENVIRONMENTAL FOCUS’s variables**

**TABLE 18: Distribution of variables of Environmental Focus**

<table>
<thead>
<tr>
<th>In Valid</th>
<th>RES</th>
<th>RRM</th>
<th>PLA</th>
<th>SUB</th>
<th>FOP</th>
<th>NEV</th>
<th>ERI</th>
<th>ENC</th>
<th>WAP</th>
<th>AIP</th>
<th>SOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
</tbody>
</table>

**TABLE 18** indicates that under the summative variable Environmental Focus, RRM (Recycled Raw Materials) is the most emphasized variable, followed by AIP (Air Pollution), CER (Forest Certification), ELW (Environmental Law), RES (Natural Resources), REC (Recycling), and ENC (Energy Consumption). LCA (Life-cycle Approach) ranks the least frequently mentioned variable followed SOP (Soil Pollution) and FOP (Forest Protection) respectively.
8) **Frequency of SOCIAL FOCUS’s variables**

TABLE 19: Distribution of variables of Social Focus

<table>
<thead>
<tr>
<th></th>
<th>PEW</th>
<th>EMC</th>
<th>EMB</th>
<th>ENM</th>
<th>RED</th>
<th>SAW</th>
<th>CON</th>
</tr>
</thead>
<tbody>
<tr>
<td>N val</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>3.323</td>
<td>3.976</td>
<td>5.857</td>
<td>4.142</td>
<td>2.849</td>
<td>2.619</td>
<td>1.8046</td>
</tr>
</tbody>
</table>

As illustrated in TABLE 19, among the thirteen individual variables of Social Focus, PAR (Partnerships) obviously seems to receive the most attention, followed SAW (Safety at Work), CLS (Co-operation with NGOs) and CHA (Charity) respectively, whereas FAI (Fair Trading Practices) is the least frequently mentioned variable, which is followed by EMC (Employee Contracts), PEW (Personnel Welfare) and CFO (Co-operation with Landowners) respectively.

9) **Frequency of AUDIENCE’s variables**

TABLE 20: Distribution of variables of Audience

<table>
<thead>
<tr>
<th></th>
<th>SHA</th>
<th>CUS</th>
<th>EMP</th>
<th>NAT</th>
<th>SSO</th>
<th>FOR</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>N val</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Mean</td>
<td>3.810</td>
<td>3.230</td>
<td>3.743</td>
<td>1.905</td>
<td>3.333</td>
<td>0</td>
<td>0.0476</td>
</tr>
</tbody>
</table>

TABLE 20 suggests that, under the summative variable Audience, EMP (Employees) and CUS (Customers) represent the 1st and the 2nd most frequently mentioned variables respectively, whereas variable FOR (Forest Owners) receives no attention at all.
7.3 DIVERGENCE OF CR REPORTING BETWEEN THE GROUPS

T-test and One-way Anova analysis are used for the pair-wise comparison of means between the groups in this very study.

1) **Country vs. the nine summative variables**

TABLE 21: The pair-wise comparison of means between country and the nine summative variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Internal Communication</th>
<th>External Communication</th>
<th>Social &amp; Ethics</th>
<th>Economic Focus</th>
<th>Environmental Focus</th>
<th>Social Focus</th>
<th>Audience</th>
<th>Social Principles &amp; Guidelines</th>
<th>Business Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>4.07</td>
<td>15.09</td>
<td>9.15</td>
<td>70.77</td>
<td>71.15</td>
<td>99.61</td>
<td>14.23</td>
<td>50.00</td>
<td>42.23</td>
</tr>
<tr>
<td>Canada</td>
<td>9.25</td>
<td>7.75</td>
<td>62.50</td>
<td>44.75</td>
<td>38.87</td>
<td>9.25</td>
<td>12.25</td>
<td>12.50</td>
<td>12.50</td>
</tr>
</tbody>
</table>

TABLE 21 presents the output of the pair-wise comparison of means between the background variable Country and the nine summative variables respectively. Some statistically highly significant differences are found and could be interpreted as follows:

1) *The US companies seem to emphasize Business Behaviour more than the Canadian companies* \((P < 0.020)\);

2) *The US companies seem to emphasize Social Principles & Guidelines more than the Canadian companies* \((P < 0.027)\);

3) *The US companies seem to emphasize Internal Communication more than the Canadian companies* \((P < 0.055)\);

4) *The US companies seem to emphasize Social Focus more than the Canadian companies do* \((P < 0.088)\);

5) *The US companies seem to emphasize External Communication more than the Canadian companies* \((P < 0.12)\);

6) *The US companies seem to emphasize Audience more than the Canadian companies* \((P
There is no statistically significant difference found between (1) Country and Social & Ethical Accounting; and (2) Country and Economic Focus, respectively.

2) Sector vs. the nine summative variables

TABLE 22: The pair-wise comparison of means between sector and the nine summative variables

<table>
<thead>
<tr>
<th>Sector</th>
<th>Internal Communication</th>
<th>External Communication</th>
<th>Social &amp; Ethical Accounting</th>
<th>Economic Focus</th>
<th>Environmental Focus</th>
<th>Social Focus</th>
<th>Audience</th>
<th>Social Principles &amp; Guidelines</th>
<th>Business Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Products</td>
<td>5,25</td>
<td>16,00</td>
<td>6,00</td>
<td>98,50</td>
<td>47,00</td>
<td>130,25</td>
<td>24,50</td>
<td>61,00</td>
<td>41,50</td>
</tr>
<tr>
<td>Integrated Forest Products</td>
<td>2,09</td>
<td>14,42</td>
<td>12,18</td>
<td>48,14</td>
<td>64,72</td>
<td>62,54</td>
<td>6,90</td>
<td>27,76</td>
<td>27,90</td>
</tr>
<tr>
<td>Pulp &amp; Paper &amp; Packaging</td>
<td>2,16</td>
<td>9,16</td>
<td>2,00</td>
<td>92,00</td>
<td>65,83</td>
<td>66,16</td>
<td>2,16</td>
<td>33,83</td>
<td>29,33</td>
</tr>
</tbody>
</table>

TABLE 22 indicates that Sector of Integrated forest products emphasized Social & Ethical Accounting more than Sector of Consumer products and Sector of Pulp & paper & packaging (P < 0,065). In addition, it would be worthy to note that Sector of Consumer products also pay more attention to Economic Focus issues than the other two sectors (P < 0,157).

No other statistically significant difference was found from the pair-wise comparison of means between Sector and the nine summative variables.
TABLE 23: The pair-wise comparison of means between type of report and the nine summative variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Internal Communication</th>
<th>External Communication</th>
<th>Social &amp; Ethics Accounting</th>
<th>Economic Focus</th>
<th>Environmental Focus</th>
<th>Social Focus</th>
<th>Audience</th>
<th>Social Principles &amp; Guidelines</th>
<th>Business Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Report</td>
<td>2.70</td>
<td>16.30</td>
<td>8.90</td>
<td>62.30</td>
<td>18.60</td>
<td>48.40</td>
<td>4.00</td>
<td>25.20</td>
<td>26.00</td>
</tr>
<tr>
<td>Sustainability Report</td>
<td>2.72</td>
<td>10.45</td>
<td>8.36</td>
<td>72.72</td>
<td>90.63</td>
<td>102.00</td>
<td>13.36</td>
<td>45.09</td>
<td>35.96</td>
</tr>
</tbody>
</table>

TABLE 23 illustrates the output of the pair-wise comparison of means between Type of report and the nine summative variables. The statistically significant differences found could be summarized as follows:

1) *Sustainability reports seem to emphasize Environmental Focus more than Annual reports* ($P < 0.011$);

2) *Annual reports seem to emphasize Social Focus more than Sustainability reports* ($P < 0.124$); and

3) *Annual reports seem to emphasize External Communication more than Sustainability reports* ($P < 0.148$).

No other statistically significant difference found from the pair-wise of means between the Type of report and the nine summative variables.
8 SUMMARY AND CONCLUSION

8.1 SUMMARY OF BACKGROUND, PURPOSE AND IMPLEMENTATION OF THE STUDY

Background of the study

The issues of CR and CR reporting are becoming important not only at national levels but at the global level as well. Although societal demands and expectations can be traced all over the globe, companies are responding to these demands in a variety of manners. A growing body of research in international business suggests that attributes of social, economic, and culture etc. may be related to differing CR initiatives and reporting.

The forest products industry is a major manufacturing sector in North America. It has a major influence on the future of North American forests and exerts a significant and "immediate" impact on the sustainable development in North America. The North American companies play an important role in the global forest products industry. As the industry in whole is experiencing increasing consolidation and globalization, its potential impact is participated to be significant towards the sustainable development in the home country as well as in those foreign countries where it is operating.

Purpose of the study

This study intends to explore what issues largest forest products industry companies in North America address when reporting on their CR actions, and find out the important issues perceived by them. The study also expects to confirm whether firms within a common industrial and cultural environment exhibit variations in their CR practices, and whether there are notable differences in the reported issues/areas between the CR reporting by North American companies and those by the European companies.

The theoretical objective of the study is to study the driving forces behind companies’ CR
initiatives and reporting. The empirical objective of the study is to examine CR reporting adopted by the North American companies within a single industry context, and see what specific reported issues are undertaken by the companies and what types of information on CR those companies intent to deliver to their stakeholders.

Implementation of the study

The study was carried out starting from the current debate and literature review on CR, which provide the rich theoretical and conceptual background for the study. Then a theoretical framework was formulated to operationalize the theoretical and conceptual background.

Content analysis was chosen to be the main research method for this very study, which covered the eleven largest forest products companies in North America based on PPI’s ranking 2006. The data for analysis was collected from the annual reports and sustainability reports by the selected companies. The reports for the study were either downloaded from the companies’ websites or directly ordered from the companies. Finally, the study was concluded based on the results of data analysis.

8.2 SUMMARY OF THE RESULTS OF THE STUDY

Based on the theoretical framework of the study, in order to measure various dimensions of CR reporting, all the selected CR reports were recorded into nine summative variables, which consist of eighty-six individual variables (see Section 7.1.2 Summative variables). The results of this very study are to be summarized below by answering the empirical questions presented in Section 2.1 PURPOSE OF THE STUDY.

1) What issues do the forest products companies in North America communicate in their CR reporting? Are there any differences among the issues addressed by those companies?

TABLE 24 presents the most and the least emphasized areas and issues found from the CR
reporting by the selected North American forest products companies. Obviously, Social Focus represents the most emphasized summative variable, while Internal Communication is the least mentioned summative variable. Economic Focus and Environmental Focus were ranked the 2nd and the 3rd most emphasized summative variables. It seems that External Communication, Social & Ethical Accounting, and Audience received significantly less attentions when compared with other summative variables.

TABLE 24: Summary of the most and the least emphasized areas and issues by the selected largest North American companies

<table>
<thead>
<tr>
<th>Summative Variable</th>
<th>Social Focus 1st</th>
<th>Economic Focus 2nd</th>
<th>Environmental Focus 3rd</th>
<th>Social Principles &amp; Guidelines 4th</th>
<th>Business Behavior 5th</th>
<th>External Communication 6th</th>
<th>Audience 7th</th>
<th>Social &amp; Ethical Accounting 8th</th>
<th>Internal Communication 9th</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Most Emphasized</td>
<td>PAR</td>
<td>PRO</td>
<td>RM</td>
<td>CPC</td>
<td>IGT</td>
<td>ERs</td>
<td>EMP</td>
<td>SAS</td>
<td>IRP</td>
</tr>
<tr>
<td>2nd Most Emphasized</td>
<td>SAW</td>
<td>COM</td>
<td>AIP</td>
<td>CSG</td>
<td>LEG</td>
<td>ERc</td>
<td>CUS</td>
<td>SEP</td>
<td>IRL</td>
</tr>
<tr>
<td>3rd Most Emphasized</td>
<td>CLS</td>
<td>INN</td>
<td>ELW</td>
<td>CGT</td>
<td>MEF</td>
<td>ERA</td>
<td>SHA</td>
<td>SEA</td>
<td>IBU.</td>
</tr>
<tr>
<td>1st Least Emphasized</td>
<td>FAI</td>
<td>IPS</td>
<td>LCA</td>
<td>CPS</td>
<td>STC</td>
<td>ERR</td>
<td>FOR</td>
<td>-----</td>
<td>IRC.</td>
</tr>
<tr>
<td>2nd Least Emphasized</td>
<td>EMC</td>
<td>ECi</td>
<td>SOP</td>
<td>CEW</td>
<td>COP</td>
<td>EBU</td>
<td>NGO</td>
<td>-----</td>
<td>IRS.</td>
</tr>
<tr>
<td>3rd Least Emphasized</td>
<td>PEB</td>
<td>FUN</td>
<td>FOP</td>
<td>CPS</td>
<td>INI</td>
<td>EBS</td>
<td>SSO</td>
<td>-----</td>
<td>IRA.</td>
</tr>
</tbody>
</table>

- Summative variables are presented from the most emphasized (1st) to the least emphasized (9th);
- * Under summative variable Social & Ethical Accounting, there are only three individual variables.

A number of variables were clearly left out by the selected companies in their CR reporting, namely: 1) Economic Focus: CLW (Competition Law), and IPS (Impacts on Personnel); 2) Social Focus: FAI (Fair Trading Practices); 3) Internal Communication: IRC (Economic Internal Reporting), and IRN (Environmental Internal Reporting); 4) Audience: FOR (Forest
Owners). This could be explained so that based on the locally/regionally existing social and
environmental paradigms, the selected companies decide what issues to be reported, and what
not to.

It is worthy to note that, the largest forest products companies in North America pay much
more attention to those issues which are related to economic, environmental, and social focus
when reporting their CR practices. It is interesting to note that, the selected North America
companies emphasized Social Focus most in their CR reporting, followed by Economic Focus
and Environmental Focus respectively. Such rating is different from the results by Routto
(2008), who argued that Economic Focus was least emphasized among the three CR focus
areas, whereas Environmental Focus was most frequently mentioned by the largest European
forest products companies.

According to this study, the selected North American companies highly emphasize
coop-erations with other interest groups to ensure responsible actions and require responsible
actions from partners as well. They seem to pay much attention to methods and actions to
ensure safety at work and invest in product safety. This is in concert with the findings on the
largest European companies by Routto (2008). As an individual variable under Social Focus,
charity seems to be emphasized more by the selected North American companies. It is
interesting to note that, neither European companies nor North American companies show
much of their interest in participating in fair trade practices.

Notable amount of disclosures were seen on socially based topics such as “partnership (with
interesting groups to ensure responsible actions)”, “safety at work”, “close relationship with
local people and communities”, “supporting the economic welfare of the society”, and
“charity and donation (either on behalf of the company or by individual employees
themselves”. Such observation holds with the argument by Vidal and Kozak (in prep): “forest
companies place considerable weight on the employment opportunities that they offer as one
of their main social contributions.”
Profitability, Competitiveness, and Innovation remained as the three essential elements under Economic Focus, whereas (CR-related) impacts on the public sector and personnel, and competition law received the least attentions in the reporting by the companies.

Speaking of Environmental Focus, RRM (Recycled Raw Materials), AIP (Air Pollution) and CER (Forest Certification) were the most disclosed variables. The North American companies seem to be rather aware of environmental law, natural resources, recycling, and their energy consumption. RRM (Recycled Raw Materials) is the most emphasized variable, followed by AIP (Air Pollution), CER (Forest Certification), ELW (Environmental Law), RES (Natural Resources), REC (Recycling), and ENC (Energy Consumption). LCA (Life-cycle Approach) ranks the least frequently mentioned variable followed SOP (Soil Pollution) and FOP (Forest Protection) respectively.

2) What means of transmission (both internal and external) are used by the North American forest products companies in communicating their CR practices? And who are the targeted audience of their CR reporting?

As illustrated in TABLE 23, Internal Communication, External Communication, Social & Ethical Accounting, and Audience received significantly much less attentions when compared with other summative variables.

Under Internal Communication, IRC (Economic Internal Reporting) and IRN (Environmental Internal Reporting) remained as non-disclosed variables. Though the companies declared that they disclose methods and routines of internal communication, all the variables measuring Internal Communication seem to receive virtually very little attention from the companies.

In comparison to the disclosures of Internal Communication, External Communication received slightly more attentions in the CR reporting by the selected companies. ERIa (External Reporting Integrity) and ERC (Economic External Reporting) were relatively more frequently mentioned than other variables concerning External Communication. The selected
companies seem not very active not only in showing their ability and willingness to respond to
different phenomena and distribute relevant information externally, but also in keeping
their interest groups updated about the current issues or provide easily accessible information
about forest products industry’s environmental effects.

Employees and customers seem to be the targeted audience of CR reporting by the selected
companies. Other stakeholder groups such as shareholders, surrounding society, nature, NGOs, and forest owners were much less emphasized by the selected companies. It also seems that both the communication and the co-operation between the forest products companies and the forest owners in North America are neglected in the reporting, since FOR (Benefits for Forest Owners) received no attention at all and CFO (Statements Handling Relationships with Forest Owners) was not frequently emphasized in the reporting.

3) Do the CR policies and reporting of the North American forest products industry companies correspond with those observed from European forest industry companies? If not, what differences could be drawn then?

Regarding Social Principles & Guidelines, the North American companies seem to have a clear emphasis on CPC (Commitment of Top Management) and CSG (Standards & Guidelines), whereas European companies disclose GPS (CR Policy Statement) and CGT (Goals & Targets) as the primary elements. Neither European companies nor North American companies considered CEW (Environmental Welfare at the Cost of Corporate Profits) as an essential element of their social principles and guidelines. The North American companies did not specify much about their goals, targets or objectives for CR-policy to meet, as well as their action plans that are made to execute CR-policy and targets, though they declared that their top management is strongly committed to CR.

Under Business Behavior, the North American companies frequently mentioned IGT (Integrity) and LEG (Legitimacy). In addition, they have much more interest and willingness to be accepted to an ethical mutual fund when compared with those largest European forest
products companies. Both the North American companies and the European companies highly value IGT (Integrity) by frequently emphasizing their companies’ integrity, moral values in business behavior, incorruptibility and “doing the right thing(s)”. Compared with largest European forest products companies, the companies in North America seem to have less focus on their ability to start and take the first steps to CR actions (INI, integrity), and keeping track of their operations and make the trail of responsibilities exposed (ACC, accountability).

The North American companies seem to have an adequate knowledge of the importance of CR education and the involvement of personnel. They declared that their personnel are given the chance to be part of the CR-program to understand the consequences and impacts of their individual operations (EDT, CR education & Training of the Personnel).

According to the results generated from this very study, employees and customers form the two primary audience groups to the North American companies, whereas the largest European forest products companies clearly focus on their customers and the surrounding society (Routto, 2008).

8.3 CONCLUSION

The results of the study suggest that, though all the three pillars of CR (economic, environmental, and social) were covered in their CR reporting, the North American companies seem to give more weight to Social Focus, followed by Economic Focus and Environmental Focus respectively, whereas the largest European companies considered Environmental Focus as the most important area, Social Focus the second, whereas Economic Focus was the least emphasized, argued by Routto (2008).

A number of notable differences and similarities between the European companies and the North American companies towards CR reporting were also identified. For example, the North American companies obviously seek for more efforts to co-operate with interest groups and business partners to ensure responsible actions than the European companies. The
European companies emphasize energy consumption more frequently than the North American companies. Neither the European companies nor the North American companies perceived environmental welfare at the expense of corporate profits an important element concerning Economic Focus. It would be interesting to note that neither the European companies nor the North American companies considered shareholders, NGOs and forest owners as primary target audience groups in their CR reporting, since the communication benefits were not frequently mentioned for these stakeholder groups.

The study was also able to answer the question, to some extent, whether firms within a common industrial and cultural environmental exhibit variations in their CR practices. By conducting the pair-wise comparison of means between the three background variables the nine summative variables through T-test, a number of statistically significant differences were drawn in terms of Country, Sector, and Type of report. The results suggest that the US companies seem to particularly emphasize a number of issues more than the Canadian companies, namely: 1) Business behavior; 2) Social principles & guidelines; 3) Internal communication; 4) Social focus; 5) External communication; and 6) Audience. No significant difference was found concerning Social & ethical accounting and Economic focus between the US companies and the Canadian companies. Sector of Integrated forest products placed notably much more weight on Social & ethical accounting than Sectors of Consumer products and Sector of Pulp & paper & packaging in this study, whereas no other significant difference was indicated by the pair-wise comparison of means between Sector and the nine summative variables respectively. In addition, sustainability reports seem to have much clear focus on environmental-related issues than annual reports, whereas issues concerning Social Focus and External Communication received more attention in annual reports than in sustainability reports. No further significant difference was suggested between Type of report and the nine summative variables in this study.

In short, the comparison between the reports by North American companies and those by alignment European companies showed some regional variations in CR reporting. These regional characteristics include 1) the emphasis on Social Focus by North American
companies, and Environmental Focus by European companies; 2) the emphasis on partnership by North American companies, and workplace safety by European companies; 3) the emphasis on employees’ benefits by North American companies, and customers’ benefits by European companies; 4) the emphasis on commitment of top management to CR by North American companies, and existence of CR policy statements by European companies; 5) the emphasis on recycled raw materials by North American companies, and energy consumption by European companies; and 6) the emphasis on profitability by North American companies, and investing to socially/environmentally responsible targets by European companies. Such differences could also be argued to be related to the different institutional arrangements in the regions.

The comparison between different sectors suggests that, Sector of Integrated forest products emphasized Social & Ethical Accounting more than Sector of Consumer products and Sector of Pulp & paper & packaging, whereas Sector of Consumer products paid more attention to Economic Focus issues than the other two sectors. The results also suggests that, sustainability reports emphasized Environmental Focus more than annual reports, whereas annual reports clearly focused on Social Focus and External Communication more than sustainability reports.

8.4 DISCUSSION

CR still remains as part of business communication with the principal aim to improve corporate reputation. “To a large extent the current research and monitoring of corporate responsibility is based on the analysis of corporate reporting” (Mikkilä and Toppinen, 2008), which constrains the researchers far from the companies’ actual performance.

The results generated from this study correspond to the findings by Perrini (2005), Videl and Kozak (2008), and Routto (2008), who argue that firms’ disclosure is currently restricted to specific CR themes. The results also support the arguments on context-driven perspectives on CR, which were presented in Section 3.3 of this study.
The ever-increasing general consciousness of social and environmental responsibilities among stakeholders has put unprecedented pressures on companies in today’s business. Consequently, without exception, “the global forestry sector is moving towards a greater balance among environmental, social, and economic responsibilities” (Vidal and Kozak, 2008).

To be competitive and profitable, companies must prioritize the areas in which to concentrate their CR efforts (Johnson 1971; Fitch 1976; Epstein 1987); and the reasons that lead a company to choose one over another are diverse (Johnson, 1971; Adizes and Weston 1973; Epstein 1987; Carroll 1991; Dalton and Daily 1991). Though it is unlikely that there will ever be a perfect balance in the attention paid to the economic, environmental, and social dimensions of sustainability, all dimensions should be presented to some degree within a company’s responsible practices (Vidal and Kozak 2008).

Disclosures concerning internal communication and external communication were clearly indicted to have little to no importance in this study. It sounds rather self-contradictory, since employees formed the most cited audience group, whereas the companies did not state that they cover and communicate corporation’s economic, environmental, and social performance and actions to the personnel in their CR reporting. Such self-contradiction is in line with previous criticisms about the current CR reporting (e.g. Gray 2001). Though the need for credible, appropriate and independently verified information on the financial, social and environmental performance of companies is generally acknowledged, legislation should not and must not be the only factor affecting corporate reporting practice. For CR reporting to be effective, voluntary and freely formed reports should be constructed on a globally acceptable framework.

To be able to fulfill the economic responsibilities to stakeholders, companies must not and should not neglect profitability on the core corporate governance agenda. Strategic practice of CR will involve a long-term shareholder value approach, which implies a long-term view of profit maximization, as well. Consequently, by the nature of business, financial profitability
will continue to remain as one of the principal incentives for companies to pursue CR towards sustainable development.

Primarily with a focus on conceptualizing, specifying, and testing some relationships between corporate social performance (CSP) and corporate financial performance (CFP), early studies, both theoretically (Carroll, 1979; Wood, 1991; Swanson, 1995, 1999), and empirically (Cochran and Wood, 1984; Graves and Waddock, 1994; Russo and Fouts, 1997; Mattingly and Berman, 2006), found that a firm that dedicates resource to fulfilling what are perceived to be its social responsibilities will financially perform either better, worse, or the same as it might have done otherwise, depending on which studies to be lined up and consulted. In addition, Orlitzky et al. (2003) found support for a generally positive relationship between CSP and CSF across industries and study contexts, whereas Preston and O’Bannon (1997) contend that positive financial performance either lagged or occurred synergistically with positive social performance.) Grane et al. (2008) argue that “seeking justification on purely economic ground” may partially explain why yet there is decidedly mixed evidence of a positive business case for CR.

Some scholars (e.g. Mikkilä and Toppinen, 2008) contend that CR can be developed into a managerial tool of standardization and rationalization of business operations. Though there is no prior reason to develop a business case for CR, there are growing calls for business to adopt a wide range of social and environmental responsibilities – from business associations e.g. the World Business Council for Sustainable Development and Business for Social Responsibility (Smith, 2003), and from governments and business leaders (Wheeler and Grayson, 2001). Some kind of business case must be made in order to call attention and garner support from the business sector (Schmidt Albinger and Freeman, 2000; Joyner and Payne, 2002), but such CR case should be made “qualitatively different from the one that currently dominates the literature” (Crane et al. 2008).

No sufficient evidence is found to clarify the correlation between the CR performance and the corresponding financial profitability of the companies yet. “In order to build a better (more
robust, multidimensional, more compelling) business case for CR” (Crane et al. 2008), future research will be certainly required to address the ever-growing “need for business to become engaged in creating value on multiple fronts” (Crane et al. 2008). Studying the correlation between the CR performance and the corresponding financial performance and profitability, and develop a set of comprehensive criteria with a quantitative econometric approach would, for example, be a good start to advance the diffusion of enabling a focus on value creation under CR construct within forest products companies and throughout the global forestry sector.
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Johnson and Walck (2004) contend that, in order to accrue the greatest benefits, forest companies need to approach sustainability as a business value and integrate it in their core business strategies.


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Corporate Documents, which were collected and analyzed in this study:


**APPENDIX 1: The 10 UN Global Compact Principles**

*Businesses should:*

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Ensure that they are not complicit in human rights abuses
- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Eliminate all forms of forced and compulsory labor
- Principle 5: Abolish child labor
- Principle 6: Eliminate discrimination in respect of employment and occupation
- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies
- Principle 10: Work against corruption in all its forms, including extortion and bribery

<table>
<thead>
<tr>
<th>Human rights</th>
<th>Businesses should: 1) <strong>Principle 1</strong>: Support and respect the protection of internationally proclaimed human rights; and 2) <strong>Principle 2</strong>: make sure that they are not complicit in human rights abuses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Standards</td>
<td>Business should: 1) <strong>Principle 3</strong>: The freedom of association and the effective recognition of the right to collective bargaining; 2) <strong>Principle 4</strong>: the elimination of all forms of forced and compulsory labor; 3) <strong>Principle 5</strong>: the effective abolition of child labor; 4) <strong>Principle 6</strong>: the elimination of discrimination in employment and occupation.</td>
</tr>
<tr>
<td>Environment</td>
<td>Businesses should: 1) <strong>Principle 7</strong>: Support a precautionary approach to environmental challenges; 2) <strong>Principle 8</strong>: undertake initiatives to promote environmental responsibility; and 3) <strong>Principle 9</strong>: encourage the development and diffusion of environmentally friendly technologies.</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Business should: 1) <strong>Principle 10</strong>: Businesses should work against corruption in all its forms, including extortion and bribery.</td>
</tr>
</tbody>
</table>

Source: UNGC, 1999
APPENDIX 2: The Global Reporting Initiative (GRI)

(The following as some of the key non-financial issues that should be included in company reports)

| Environmental | Materials used including percentage recycled, Energy consumed and saved, water used and reused, Land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value and impacts on biodiversity, greenhouse gas emissions by weight and initiatives to reduce greenhouse gas, ozone-depleting and other harmful emissions, waste by type and disposal method |
| Social performance: (Labor practices & Decent work) | Employee turnover by age group, gender, and region, employee benefits, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity |
| Social performance: (Human rights) | Investment and Procurement Practices, including Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening, Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken, Child Labor, Forced and Compulsory Labor, Indigenous Rights |
| Social performance: (Society) | Nature, scope, and effectiveness of any programs and practices that access and manage the impacts of operations on communities, Corruption, Public Policy development, Anti-Competitive Behavior |
| Social performance: (responsibility) | Customer Health and Safety, adherence to laws, standards, and Product voluntary codes related to marketing communications, including advertising, promotion, and sponsorship, Customer Privacy |

Source: GRI 2000, 2002