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The institutionalisation of corporate social responsibility reporting[☆]

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This study examines corporate social responsibility reporting (CSRR) structures through a comparison of the disclosures in two countries with different social issues. The analysis is guided by a focus on the legitimisation offered by isomorphism. We compare the 2007 annual report and website (including standalone report) CSRR of a matched sample of 18 Australian and 18 South African mining companies. Among the 30 comparisons of disclosure patterns, 29 show no difference. We also provide examples of specific disclosures that show a remarkable level of similarity in CSRR and in the CSRR management structures adopted in the two countries. Our findings show similar overall patterns of CSRR in diverse settings, while differences in CSRR content at a more detailed level remain. For example, companies refer to the applicable national regulations and rules; as well as to their specific local communities. These findings provide evidence that the same reporting templates are used in CSRR globally. There is evidence to suggest that CSRR is institutionalised through professionalization and other means, suggesting a need to interpret CSRR characteristics and patterns as a reflection of global CSRR templates. Management intent or company-specific characteristics, such as social and environmental performance, do not necessarily drive CSRR patterns.

1. Introduction

Corporate social responsibility reporting (CSRR),[2] the disclosure of social and environmental information in annual reports and on websites, is gaining in popularity (KPMG, 2011). Social and environmental disclosures are mostly voluntary and therefore the CSRR literature has focussed much attention on the reasons why companies disclose (e.g. Clarkson, Li,

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2 Corporate social responsibility reporting (e.g., Bebbington, Larrinaga, & Moneva, 2008) is also called sustainability reporting (e.g., Gray, 2010) and can be defined as disclosures by companies of any aspect related to their impact on society or the natural environment.

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Richardson, & Vasvari, 2008; Cowen, Ferreri, & Parker, 1987; Hackston & Milne, 1996). Size and industry are leading indicators of companies' likelihood to disclose, as are negative environmental issues (Deegan & Rankin, 1996), specific pressure groups (Deegan & Blomquist, 2006; Deegan & Gordon, 1996), and media attention (Brown & Deegan, 1998). In these prior studies, the attention is on the content of CSRR.

Using a new institutional theory framework (NIT), we are interested in the overall structure of CSRR, both in terms of the structure of the disclosures made and in terms of the management structures that underlie both the disclosures and the process of disclosure. We examine the CSRR structures and patterns of size matched mining companies in two countries, Australia and South Africa, where social and environmental issues, pressure groups, and media attention are different. We analyse the overall structure of CSRR in the two samples by comparing the number of sentences disclosed in different categories of CSRR, first overall, then in smaller sub-categories, then in terms of the tone of the sentences (positive, negative, or neutral), next in terms of where the sentences are disclosed (financial report, rest of the annual report, or website), and also by quality scores (financial, quantitative, specific, or declarative). In addition, we cite specific examples of similar disclosures, as well as disclosures that reveal similar CSRR board, committee, and management structures in the two countries. Finally, we provide an analysis of differences in CSRR.

As far as we can ascertain, our focus on CSRR structure represents a unique contribution to the literature. For example, our study goes beyond Aerts, Cormier, and Magnan (2006), who find evidence that mimetic isomorphism could be a factor explaining environmental reporting. We expand the theoretical framework to include other forms of isomorphism, expand the disclosure media to include both annual reports and websites, expand types of disclosures to include both social and environmental, and move the focus from content of disclosure to patterns and structures of disclosure.

Our findings indicate that, even though the two countries display different social characteristics, the CSRR structures and patterns of mining companies are remarkably similar. Differences in CSRR appear to be confined to matters of detail, for example referring to the specific local community in Australia or the specific local community in South Africa. The differences fit within similar overall CSRR structures and patterns. These findings suggest that global CSRR patterns are being adopted in very different corners of the globe. The implication is that when interpreting CSRR, the observer, be they pressure groups, regulators, or researchers, should take into consideration that the overall structure, pattern, and emphasis of CSRR are not necessarily reflecting corporate priorities and intentions, but may be driven by a desire to follow global templates. Overall, this paper contributes to the CSRR literature by drawing attention to the distinction between CSRR content and CSRR patterns, and thus providing a new way of interpreting and theorizing voluntary CSRR.

2. Background

The mining industry is a significant provider of employment and wealth. South Africa and Australia are among the top five producers of mineral commodities. According to the International Marketing Council (IMC) of South Africa (2009), "South Africa accounts for over 10% of world gold production, and is the leading producer of platinum, manganese, titanium, chrome, zirconium and vanadium… It is also South Africa's biggest employer, with around 460,000 employees and another 400,000 employed by the suppliers of goods and services to the industry". According to the Minerals Council of Australia (2009), the Australian minerals industry is ranked first in the world for the production of bauxite, second for uranium and third for gold and diamonds. In the financial year 2008–09 the minerals industry contributed 8% of Australian GDP. The industry employs about 133,200 people directly and 200,000 indirectly.

Mining provides economic benefits, but has major environmental and social effects, such as land use, exhaustion of non-renewable resources, and worker health and safety concerns (Azapagic, 2004). At a time when sustainability issues are growing in importance (De Klerk & De Villiers, 2012; Glennie & Lodhia, 2013; Lawrence, Botes, Collins, & Roper, 2013; Samkin, 2012; Schaltegger, Gibassier, & Zvezdov, 2013), these effects can be expected to influence CSRR through negative environmental issues, pressure groups, and media attention.

Large mining companies are reported to disclose CSRR content heterogeneously (Jenkins & Yakovleva, 2006; Perez & Sanchez, 2009). However, note that these studies do not distinguish between CSRR content and CSRR patterns. The differences in CSRR content noted by these studies may be due to differences in stakeholders for each mining company. Environmental issues, such as water, energy and biodiversity conservation; and greenhouse gas emissions, are of most interest to insurers, local communities, local authorities, governments and NGO's (Azapagic, 2004). Social issues, such as employment, skills development, and health and safety, are of most interest to employees and trade unions (Azapagic, 2004). Thus, different stakeholders require different disclosures. However, note that it is in theory possible to fit differing CSRR content into similar CSRR patterns. Something not explicitly investigated in the prior literature.

A KPMG (2006) survey found that more than 90% of the 50 largest mining companies in the world include sustainability information in their annual reports and all of them had sustainability information on their websites. The KPMG (2006) survey shows the reporting practices of companies, including from Australia (5 companies surveyed) and South Africa (6 companies surveyed), however, the survey uses a small sample size, and some companies in the study are cross-listed and are, therefore, influenced by stakeholders in other countries. Therefore our study, that does not contain any cross-listings, will provide a more reliable means of comparison than the KPMG (2006) survey.