EXPLORING THE INSTITUTIONAL EMBEDDEDNESS OF CORPORATE STAKEHOLDING AND SOCIAL RESPONSIBILITY: A COMPARATIVE POLITICAL ECONOMY PERSPECTIVE

By

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Declaration and Inclusion of Material from a Prior Thesis

Some parts of this research study (albeit minor) have featured in already published works by the researcher – either in sole authorship or in conjunction with others but as the lead author. However, the ideas expressed in this research study are solely those of the researcher. These published works are listed here for reference purposes:

Prior Publications used in the Thesis	Author's individual contribution
Amaeshi, K. (with Osuji, O. K, and Nnodim, P.) (2007). Corporate social responsibility in supply chains of multinational brands, *Journal of Business Ethics*	85%
Amaeshi, K. (2007). Who matters to UK and German firms: Modelling stakeholder salience through social reports, *Centre for the Study of Globalisation and Regionalisation (CSGR) working paper series*, University of Warwick (and under review with *Accounting, Organizations and Society*)	100%
Amaeshi, K. (with Scarbrough, H., and Moore, R.) (2007). Institutional co-entrepreneurship and the transnationalisation of the EU aerospace sector: a discourse analytic perspective *Technology, Innovation and Institutions Working Paper Series*, the University of Alberta School of Business, Canada	97%

Prior Publications used in the Thesis	Author's individual contribution
http://www.business.ualberta.ca/tcc/working_papers.htm	
Amaeshi, K. (with Adi, B. C.) (2007). Reconstructing Corporate Social Responsibility Construct in Utilish, *Business Ethics European Review 16(1):3-18*	97%
Amaeshi, K. (with Adi, B. C. and Nnodim P.) (2007). Revisiting the Rational Choice and Rationality Debate in the Social Sciences: Is Theory Possible without Rationality? *International Journal of Interdisciplinary Social Sciences*, Volume 1, Issue 6, pp.27-38	50%
Amaeshi, K. (with Crane, A.). (2006). 'Stakeholder engagement: A mechanism for sustainable aviation', *Corporate Social Responsibility and Environmental Management*,	97%
Amaeshi, K. (with Adi, B. C., Ogechie, C. and Amao, O. O.) (2006). Corporate Social Responsibility in Nigeria: Indigenous practices or Western influences?, *Journal of Corporate Citizenship* (winter edition).	80%
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ABSTRACT

This research study contributes to emergent interests in both academic and professional literature to uncover variations of corporate social responsibility practices across national institutional contexts by focusing on stakeholder salience as a precursor to corporate social responsibility and its ancillary constructs and practices – e.g. corporate governance and accountability. The stakeholder groups considered in the study are: (1) Employees, (2) Networks, (e.g. alliances/partnerships and suppliers), (3) Shareholders, (4) Environment, (5) Community, (6) Consumers and (7) Management. Stakeholder salience, as used in the study, in a nutshell refers to the importance accorded to any of these particular stakeholder groups by firms.

The study complements the managerialist theorisation of corporate stakeholder salience, which has hitherto dominated the extant stakeholder management literature, by leveraging the institutionalist theoretical lens. It draws specifically from the varieties of capitalism model to examine how corporate stakeholder salience patterns are not only products of managerial strategic choices, but are also reflections of the institutional contexts in which they are embedded and enacted. To do this, the study focuses on a specific population of firms – i.e. *Fortune Global 500* firms – across two national institutional contexts (UK and Germany) and three sectoral contexts (Aviation, Financial Services and Utilities). This yielded a total of 73 firms (37 UK and 35 German firms). It particularly tracks the manifestations of stakeholder salience in corporate social reports, produced by these firms, as artefacts of organisational communication, accountability and legitimacy. The study is longitudinal (2000 – 2006) in order to capture the dynamics of corporate stakeholder salience patterns in the two institutional contexts over time.

Empirical data are extracted using the content analytical methodology focusing on such disclosure media as texts, graphics and photographs. In all, the corporate social reports of the firms used in this study from 2000 to 2006

– which amounted to a total of three thousand eight hundred and twenty two pages of report (3,822) – generated a cumulative total of two thousand nine hundred and eighty six (2,986) images, one thousand eight hundred and thirty three (1,833) graphics, and one hundred and twenty five (125) pages of Chairman (management) Statements (CS) and eight hundred and seventy two (872) paragraphs of these Chairmen (management) Statements. Data from corporate social reports are triangulated with data from online survey of these *Fortune Global 500* firms (61% response rate). The data are analysed using three different but complementary statistical methods: (1) correspondence analysis, (2) Pearson's chi-square statistic and (3) multivariate analysis of variance (MANOVA).

The results of the study identify recognisable and differentiable patterns of corporate stakeholder salience between the UK and German institutional contexts moderated by sectoral patterns of corporate stakeholding patterns – thereby suggesting that corporate stakeholder salience patterns are implicated in interactions between national institutional characteristics and sectoral attributes. This finding confirms the main proposition of the research study that corporate stakeholder salience patterns are not only outcomes of managerial discretional choices, but that they are also products of their institutional contexts. However, it brings to the fore a different dimension to understanding the impacts of institutional contexts on corporate stakeholder salience patterns and broader corporate social responsibility practices, which have hitherto being under-explored in the literature. This different dimension is the fact that institutional contexts are not necessarily homogenous, as often presented by the varieties of capitalism model, but are outcomes of continuous contestations between heterogeneous local and global influences, sometimes embodied in trans-national spaces exacerbated by either globalisation and or trans-national actors. The study further explores this interaction between heterogeneous local and global influences on corporate stakeholder salience patterns; and later concludes by highlighting possible areas for complementary future research.

ABBREVIATIONS

CMEs	Coordinated Market Economies
CS	Chairman (management) Statements
CSR	Corporate Social Responsibility
EU	European Union
GRI	Global Reporting Initiative
LMEs	Liberal Market Economies
MANOVA	Multivariate Analysis of Variance
NAFTA	North American Free Trade Agreement
TNCs	Trans-national Corporations
VoC	Varieties of Capitalism
WTO	World Trade Organisation

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Figures and Illustrated Materials

CHAPTER 1: CORPORATE SOCIAL RESPONSIBILITY, STAKEHOLDER SALIENCE AND INSTITUTIONAL EMBEDDEDNESS

1.1: Tone Setting

Do UK and German firms signal specific patterns of corporate stakeholder salience practice that reflect the unique characteristics of their different institutional contexts? The study of corporate stakeholding practice has largely adopted a micro-level approach, in which stakeholder related decisions are often assessed based on their ability to reflect managerial discretion and rationality, as well as firm level attributes. This micro-centric (i.e. managerial and firm levels) approach to studying corporate stakeholding practices, broadly speaking, has contributed significantly to the growing trend in such areas as corporate governance and accountability, which tend to construct managers and firms as autonomous actors with the ability to transform their practices (in this case, do 'good' and be more accountable) often in isolation of their institutional contexts. In other words, the influence of institutional contexts appears to be under-represented in the extant literature on both corporate stakeholding practice and accountability. This is even more prominent in the post-Enron era in which most of the changes in accounting rules and corporate governance, by individual private actors, governments and professional bodies, to minimise managerial or agentic hazards, and thus enhance accountability, are heavily manager-centric. While acknowledging the managerial dimension to corporate stakeholding practices and accountability, it will be necessary to complement this view by understanding if and how stakeholder salience practices are also influenced by the institutional contexts in which they are embedded and enacted. One of the ways to uncover this influence is to explore corporate stakeholding practice, as a firm behaviour, through the lens of new institutionalism.

New institutionalism has in recent times provided some rich analytical lens to examine the influence of institutions on managerial practices, firm behaviours and organisational fields. New institutionalism does not ignore managerial discretion and rationality, as well as firm level influences, at the micro-level, but abstracts from these practices to examine how they are both enabled and constrained by the institutional contexts in which they are embedded and enacted. In other words, new institutionalist analytical frameworks suggest that managerial actions and organisational behaviour, in particular, are products of dynamic interactions between structure (institutional contexts) and agency (i.e. organisational behaviour, managerial discretion and rationality). Notwithstanding, the extant literature on corporate stakeholding practice and accountability is yet to fully recognise and incorporate this analytical lens in understanding and explaining its subject matter of stakeholder salience and accountability despite efforts by new institutionalist scholars to infiltrate this field of study (e.g. Whitley, 1999b; Lounsbury, 2007).

The primary goal of this research study, therefore, is to reinforce the institutional approach to the broad contemporary corporate social responsibility discourse – which will *ipso facto* include discourses of social accounting, corporate governance, stakeholder management and accountability. It is important to point out at this juncture that this broad understanding of contemporary corporate social responsibility discourse will run throughout the thesis with only a thin line of demarcation between these discourses. The thinking behind this approach is that stakeholder salience is critical and central to each of these inter-related discourses. For instance, it is becoming increasingly difficult to disentangle discourses of social accounting from those of corporate governance, stakeholder management and or stakeholder accountability. All these come together to constitute the reality of the contemporary corporate social responsibility discourse and movement. The study will particularly introduce this institutional dimension to debates in corporate stakeholding and trace possible institutional differences in corporate expressions of stakeholder salience, which is a precursor to both corporate social accountability and corporate social responsibility (Jones, 1999; Wood, 1991). In the words of Jones (1999:177): "Stakeholder management is unquestionably one of the most significant manifestations of social responsibility". In this regard, the study aims to explore if there are identifiable patterns of these traces in different institutional contexts (national and sectoral) leveraging one of the prominent theoretical frameworks of new institutionalism – i.e. the varieties of capitalism theoretical framework. This chapter outlines the main storyline of the thesis and sets the stage for further exploration. It is anticipated that the outcome of the study will be of benefit to managers, consultants, academics, as well as policy makers and all others interested in promoting corporate governance and accountability both at the national and international levels.

1.2: Corporate Stakeholder Salience, Institutional Context and Corporate Social Responsibility

Corporate stakeholding is an orchestrated contemporary practice that emphasises the firm as a product of multiple constituencies – and not just only shareholders – that need to be attended to or factored-in in organisational decisions, in order to ensure smooth running of firms in meeting their varied objectives (Barnett, 2007). It is a direct response to shareholder capitalism which tends to emphasise maximisation of shareholders' wealth as the sole responsibility of business (Friedman, 1962). Corporate stakeholding is a practice that recognises the fact that firms are entangled in much broader interests than those of shareholders; and to be competitively sustainable, firms need to pay attention to and aim to satisfy or pacify these multiple constituencies – which could include employees, customers, suppliers, regulators, local communities, non-for-profit organisations, environmental NGOs, et cetera. As a result of its attention to multiple constituencies that could affect or be affected by the firm's actions, corporate stakeholding is inextricably implicated in the rejuvenated interest in contemporary corporate social responsibility (CSR) movement, which is, arguably, gradually becoming a strategic force that is shaping business actions and performances in developed and developing countries alike. It has been reported that research conducted at the Canadian Centre for Social Performance and Ethics at the University of Toronto in 2003 indicates that, over the longer term, companies that rate highest on ethics and corporate social responsibility are the most profitable (Warren, 2003). These findings have also been demonstrated in similar studies (e.g. Orlitzky et al., 2003; Zairi and Peters, 2002). Many of today's successful companies are operating with their stakeholders in mind. About 80% of FTSE-100 companies now provide information about their environmental performance, social impact, or both.[1] Their progressive corporate social performance contributes to their long-term financial viability, which further promotes healthy communities and stable economies.

There are as many definitions of CSR as there are writers, leaving the construct fuzzy (van Marrewijk 2003, Gobbels 2002, Henderson 2001) and open to conflicting interpretations (Windsor 2001). All these render CSR a multi-purpose and contested construct (Moon 2002; Matten and Moon, forthcoming). Despite this surge in interpretations, the EU definition of CSR

[1]See this website for a list of UK companies already adopting the CSR concept as a strategic initiative: http://www.societyandbusiness.gov.uk/company/studies.htm visited on April 8, 2003

as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' as they are increasingly aware that responsible behaviour leads to sustainable business success[2] and Carroll's (1991:42) suggestion that '...the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen' are very popular. At the heart of this definition and suggestion is McWilliams & Siegel's (2001:117) explanation of CSR as '... actions that appear to further some social good, beyond the interests of the firm and that which is required by law'. This explanation in itself raises further questions relating to the motives behind CSR as a corporate practice.

Table 1-0-1: Multiple Interpretations of CSR

Interpretations	*Authors*
Business ethics and morality	Stark 1993, Fülöp et al. 2000, Freeman 1994, Bowie 1998, Phillips 1997, 2003, Phillips & Margolis 1999
Corporate accountability	Owen et al. 2000, O'Dwyer 2005
Corporate citizenship	Carroll 2004, Matten & Crane 2005, Andriof & Waddock 2002
Corporate giving and philanthropy	Carroll 1991, 2004

[2] http://europa.eu.int/comm/employment_social/soc-dial/csr/csr2002_col_en.pdf p.4 visited on April 8, 2003

Interpretations	*Authors*
Corporate greening and green marketing	Hussain 1999, Saha & Darnton 2005, Crane 2000
Diversity management	Kamp & Hagedorn-Rasmussen 2004
Environmental responsibility	DesJardins 1998, Rugman & Verbeke 1998
Human rights	Cassel 2001, Welford 2002
Responsible buying and supply chain management	Drumwright 1994, Emmelhainz & Adams 1999, Graafland 2002, Spekman et al. 2005; Amaeshi 2004
Social responsible investment	Warhurst 2001, Jayne & Skerratt 2003, Synnestvedt & Aslaksen 2003, McLaren 2004
Stakeholder engagement	Freeman 1984, 1994, Andriof et al. 2002, Donaldson & Preston 1995
Sustainability	Bansal 2005, Amaeshi & Crane 2005, Korhonen 2002

CSR has been argued to be driven by many interdependent factors. Notable drivers of the CSR movement in the literature include government (Moon, 2004), national business systems (Edwards 2004, Matten & Moon 2004), personal/managerial values (Hemingway & Maclagan 2004; Visser, 2007; Choi and Wang, 2007) and power relations (Prakash 2001), institutional isomorphism (Saiia et al. 2003), social network pressures (Burke et al. 1986, Burke & Logsdon 1996), competition and globalisation (Korhonen 2002), pressure groups/ social actors, consultants (Young et al. 2003). It could be argued that one of the reasons for the topical interests in corporate social responsibility (CSR) is as a result of the growing societal expectations from business organisations. These expectations are to a large extent driven by the global quest for peace and prosperity, which dominated the later half of the 20th century and has continued to trail the 21st century fight against terrorism and poverty. Some have argued that business organisations are by necessity indebted to the society in the form of a social contract (Gray et al. 1988, Carroll 1999, Campbell 2000). In order to create conducive environment for businesses to thrive, it becomes imperative on corporations and other social institutions to be more concerned and more involved in shaping a better future. Accordingly, Kaku (1997) argued that "... it is in the interests of the world's most powerful corporations to work for the advancement of global peace and prosperity... (because) ... global companies have no future if the earth has no future". Notwithstanding, arguments for and against CSR have mainly been driven from three main perspectives: the (a) shareholders, (b) stakeholders and (c) society.

The shareholders perspective of CSR is anchored on the economic and legal responsibilities firms owe to their owners. Friedman (1962) recognised these responsibilities when he argued that the primary responsibility of firms is to pursue profits within the limits of the law. This view, which is known in the literature as the agency theory of corporate social responsibility (Ross, 1973; Jensen and Meckling, 1976; Garriga and Mele, 2004) implies that directors of an organisation are agents of the owners and are duty bound to act so as to maximise the interests of those owners, who made the investment, in the first place, for this reason (e.g. Sternberg, 1994). The economic logic leans heavily on what Korhonen (2002) called the 'dominant social paradigm' (DSP) of profit maximization for the owners of the firm. The DSP emphasizes such issues as competitive advantage, cost minimization, equilibrium, market efficiency, optimal returns on investments (including labour) and market dominance. In itself, it has no place for emotions, feelings and benevolence. The economic logic has its culture – way of operation. It is the bedrock of modern capitalism in all its varieties (Whitley, 1992; 1998; Hall and Soskice, 2001). Adherence to this culture of capitalism often comes with its rewards in terms of increase in shareholders wealth and firm growth; although it sometimes leads to market failures and social externalities (i.e. monopolies, pollutions, et cetera). Nevertheless, this logic is not inherently anti-welfare as most anti-capitalists would tend to argue and all things being equal, the logic promises to deliver global economic development. One of the key drivers of the economic logic is the fact that it is measurable and thrives on calculative rationalism. This measurability lends great significance to the 'bottom-line' accounting philosophy on which the success or failure of firms are benchmarked. Thus, business enterprises strive to ensure that the bottom-line looks good at all times even at the at the expense of other things.

At the other end of the spectrum is the stakeholder theory of corporate social responsibility, which emphasises a much broader set of social responsibilities for business. Stakeholders, as used in this theory, refer to those individuals or groups who may affect or are affected by the organisation (Freeman, 1984 and 1994; Clarkson, 1995). They include a wide variety of interests, and as suggested by Mullins (2002) may be grouped under six main headings of: employees, shareholders, consumers, government, community, the environment and other organisations or groups such as suppliers, trade unions, business associates and even competitors. In this sense, the stakeholder perspective is much more inclusive than the shareholder view.

Table 1-0-2: Key distinctions between shareholder and stakeholder firms

Attribute	Shareholder firm	Stakeholder firm
Goal(s)	Maximize shareholder wealth	Pursue multiple objectives of parties with different interests
Governance structures and key processes	Principal-Agent model: managers are agents of shareholders. Control is the key task.	Team Production Model: coordination, cooperation, and conflict resolution are the key tasks.
Performance Metrics	Shareholder value sufficient to maintain investor commitment	Fair distribution of value created to maintain commitment of multiple stakeholders
Residual Risk Holders	Shareholders	All stakeholders

Attribute	Shareholder firm	Stakeholder firm
Stakeholder Salience/Influence	Finance/investor/owners only stakeholder with sufficient power and legitimacy to achieve "definitive" status in governance processes	More than one stakeholder with sufficient power and legitimacy to achieve "definitive" status in governance processes

Culled from Kochan and Rubinstein, 2000, p.369

Contemporary interest in corporate social responsibility (CSR) could be aptly described as a 'stakeholder movement' because the stakeholder approach is central to the CSR discourse. In essence, CSR is a reinvigoration of the stakeholder ethos as it continuously draws attention to multiple actors and nexus of relational networks in which firms are embedded. These relationships could be with customers, employees, local communities, investors, the media, competition, pressure groups, the society at large, as well as such inanimate entities as the natural environment and ecology. The argument is that these networks could affect or be affected by the firm's activities (Rowley, 1997). In this regard, CSR can be broadly defined as an organisation's commitment to operate in an economically and environmentally sustainable manner while recognising the interests of its stakeholders (CSBR, 2003)[3].

[3] http://www.cbsr.bc.ca/what_is_csr/index.cfm visited on April 8, 2003

Although difficult to reconcile in practice, the two approaches (agency – i.e. shareholder – and stakeholder theories) are not completely incompatible: to a stakeholder theorist, shareholders count as one type of stakeholder, but not the only type to which duties are owed by the firm. Thus, the broad definitions of corporate social responsibility (CSR) as an organisation's commitment to operate in an economically and environmentally sustainable manner while recognising the interests of its stakeholders (CSBR, 2003); and 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' as they are increasingly aware that responsible behaviour leads to sustainable business success (EU, 2002). Stated in more pragmatic and managerial terms, the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen (Carroll, 1991:42).

Despite its broad definition, corporate social responsibility theory and practice has over time been dominated by a narrow normative ethos. It is not uncommon in the literature, and in practice, for CSR discourses to be overly constructed along such moral ends as philanthropy (Carroll 2004; Carlisle & Faulkner 2004) and altruism (Lantos 2001)[4]. Despite the need for business to be morally conducted, one of the primary concerns in CSR debates is whether organisations pursue it for economic reasons or simply because doing so has intrinsic merit (Donaldson & Preston 1995). Unfortunately there have been

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[4] Notable exceptions include: Burke & Logsdon (1996), Maignan & Ferrell (2001), and McWilliams & Siegel (2001)

few or no empirical tests in support of the intrinsic merit motive (Harrison & Freeman 1999), which makes CSR practice susceptible to the popular accusation of being a gimmick for profitable public relations and marketing strategies. The emergence of 'strategic' CSR (Lantos 2001) or 'strategic' philanthropy (Porter & Kramer 2002), as a comfortable cover for firms to further their natural quests for profit and self interest, is thought not to be only self defeating, but provides anti-corporatists with ready made tools to quickly uncover the activities of these firms and eagerly shame them as 'hypocrites'[5]. Moreover, as CSR continues to make in-roads into the business arena, the harder its proponents are pressed to provide business exemplars justifying its continued legitimacy as a business practice. The CSR sceptics go down this 'business-case' route because of their seeming belief that the quest for '*strategic*' CSR while not only an oxymoron (Hirschhorn 2004; Marsden 2000), will inevitably evoke the old dilemma of possible tradeoffs between material profit and normative morality – i.e. being good for goodness sake.

Concurrent with the strategic theorization of corporate social responsibility practice, is a growing interest on the institutional embeddedness and

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[5] A recent incident is the case where ChristianAid criticised the CSR reports of Shell Nigeria and the British American Tobacco (BAT), respectively, and went as far as publishing its own version of 'what should be' the CSR reports for these two companies, in an attempt to name and shame them. See these websites for details:
http://www.christianaid.org.uk/indepth/0401csr/index.htm
http://www.christianaid.org.uk/indepth/0201bat/index.htm visited June 10, 2005

variations of corporate social responsibility (Matten and Moon, forthcoming) and corporate governance (Aguilera et al., 2006; Jackson, 2005) practices, respectively. This interest is mainly driven by the understanding that organisational practices are not only determined by managerial rationality, but are also constrained and enabled by their institutional configurations and social conditions (DiMaggio and Powell, 1983; Granovetter, 1985; Hall and Soskice, 2000; Amable, 2004; Crouch, 2005; Whitley, 1998, 2004; Hollingsworth, 1998; Jones, 1999; Greening and Gray, 1994). In other words this perspective focuses on how firms connect up with general societal concerns and emphasises the role of business in the society. This perspective extends the corporate agenda beyond shareholders and manager-designated stakeholders and talks of the firm as a citizen with rights, which in themselves lead to some responsibilities as well (Matten and Crane, 2005). Following this line of argument, corporate social responsibility is no longer a matter of managerial choice, but a form of civic duty. This understanding of corporate social responsibility as a civic duty appears to be alien to the shareholder capitalist system of the US, for instance. However, Matten and Moon (forthcoming) theorise that the civic duty element has been at the core of the European business model. Although corporate social responsibility practices have been left to the realm of self-governance (auto-regulation), it is argued that they are also – directly or indirectly, like any other corporate behaviour –governed by ultra-firm governance mechanisms embedded in the societal norms, expectations and institutions in which they operate. These ultra-firm governance mechanisms are thought to account for variations of corporate social responsibility practices across national contexts (Matten and Moon, forthcoming; Jackson, 2005 Aguilera et al., 2003). Despite the increasing attention paid to the institutional embeddedness of corporate behaviour and performance in business and management literature, the application of institutional theory to account for stakeholder salience and accountability is rather scarce in the broad corporate social responsibility literature[6] – possibly because this area remains 'largely undeveloped' (Gray 2002: 698) and therefore largely in search of some theoretical foundations (Gray, 2002).

This research study will aim to mainly contribute to the corporate social responsibility literature by further exploring the link between institutional contexts and stakeholder salience, through a corporate social accountability artefact – i.e. social reports[7]. The interest in the use of corporate social reports as repertoire of corporate stakeholder salience patterns include the fact that social reports are largely seen and constructed as instruments of

[6] Cormier et al., (2005) and Cormier and Magnan (2003) are exceptions

[7] Corporate social reports fall under the broad category of social accounts which Gray (2002:687) described as "...a generic term for convenience to cover all forms of 'accounts which go beyond the economic' and for all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting." These varieties would be used interchangeable in this document, although social reports would be dominant.

accountability – wherein firms express their commitments to pursuing sustainable business practices and presenting themselves accountable to varieties of stakeholders. This understanding of social reports, at least, appears to dominate the extant literature on corporate governance, accountability, stakeholder management and corporate social responsibility. In addition, there is a warming up to the increasing interest in production of social reports by firms, as a positive sign of responsible and transparent business practice. Corporate social reports have, also, become essential features of the contemporary business landscape and it is estimated that about 80% of *Fortune Global 500* firms now produce one type of report or the other on their social and environmental impacts (Kolk, 2003). Given the prominence these reports are gaining in the business world, one would at least, expect them to have some consumption consequences either in the form of shaping discourses and or initiating actions (Phillips et al., 2004; Burgess, 1990).

The interest in stakeholder salience derives also from the fact that it is core to the understanding and pursuit of stakeholder accountability - "the giving and demanding of reasons for conduct" (Roberts and Scapens, 1985:447) to and by different stakeholder groups. Hitherto, the corporate social responsibility, and particularly social accounting, literature has presented decision making on stakeholder salience as something solely internal to the firm and under managerial perceptions and bounded rationality (Mitchell et al., 1997; Agle et al., 1999). Some prominent scholars in the field have even described social accounting as a form and an expression of managerial capture of organisational actions (see Owen et al., 2000 for example). This research study aims to complement the managerial hegemony and thinking that have dominated the social accounting field of research for a long time (Gray, 2002) by suggesting that the institutional configurations of economies could, for instance, account for why certain stakeholder groups are considered or not, on one hand, and why certain accountability measures and mechanisms (e.g. codes of conduct, GRI and AA1000 standards) are accepted or not, and or adopted/adapted, on the other, by firms in these economies. While, theorising stakeholder salience as the perceived ability of a stakeholder to exercise a combinatory factor of legitimacy, power and urgency, which could sway organisational control and influence (Mitchell et al., 1997; Agle et al., 1999), this research study, in addition, argues that using managerial and firm-level practices as sole criteria to judge, evaluate and interpret corporate social responsibility and accountability practices, as often suggested in critical accounting literature (e.g. O'Dwyer, 2002, 2003, 2005; Owen et al., 2001; Swift, 2001), could be very limiting due to the over-dependence of such accountability arguments on discretional managerial and organisational rationality.

In order to provide a complementary view to the notion of managerial capture of corporate accountability (Owen et al., 2000), the study accepts the logic that corporate stakeholder salience patterns could be shaped differently not only by managers and organisational characteristics, but also by the institutional configurations in which they are embedded and enacted (Sharma, 2000). For example, Agle et al. (1999) in their study of USA firms found that different stakeholder groups exhibited different salience based on their perceived power, legitimacy and urgency. This view does not claim any superiority to the managerial view but rather complements it. It suggests that equal attention should be paid to both institutional contexts and managerial discretions in corporate social responsibility and social accounting discourses. This is in recognition of the fact that: "Firms are not simple 'institution-takers'; firm strategies interact with the institutional framework, which can lead to institutional reconfigurations, especially in the process of adjustment" (Borsch, 2004:370). In addition to identifying and recognising stakeholder salience in different institutional contexts, an issue that is still debated in this field of enquiry is the *order* of importance (salience) the different business systems attach to the different stakeholder groups – i.e. their 'relevant publics' (Lindblom, 1994).

The institutionalist approach to understanding corporate social responsibility and stakeholder salience is not completely new (see Jones, 1999; Sharma, 2000; Greening and Gray, 1994; and more recently Matten and Moon, forthcoming; Aguilera and Jackson, 2003, for example). Notwithstanding, most of these studies either talk of institutions from a very loose perspective (i.e. without being specific of any theory or school of thought within institutionalism they draw from) and or talk of stakeholders as if they were a unitary and uniform group. This lack of specificity of stakeholders and loose talk of institutions, in particular, constitutes one of the major stumbling blocks in advancing the literature on the institutional embeddedness of stakeholder salience and corporate social responsibility in recent times. Therefore, relying on a specified institutional theory – i.e. the varieties of capitalism (VoC) theoretical framework – and specified list of stakeholders (i.e. community, consumers, the environment/nature, shareholders, employees, and networks) this research study presents an empirical study of corporate stakeholder salience patterns in two different capitalist systems – the UK and Germany.

The choice of UK and German institutional contexts is not arbitrary. The two institutional contexts are recognised in the comparative capitalism literature as excellent representations of liberal market economies (LMEs) and coordinated market economies (CMEs), respectively (Hall and Soskice, 2001; Whitley, 1999; Vitols, 2001; Hancke et al., 2007; Crouch et al., forthcoming). Drawing from a longitudinal study of corporate social reports in these countries, the research study will 'exploratorily' argue that stakeholder salience is not only expressions of isolated managerial choices, organisational characteristics and rationality, as often presented in the broad corporate social responsibility and social accounting literature, but is also a product of its institutional contexts. In order for the argument on the institutional influence of stakeholder salience to hold water, it is anticipated that the UK and German institutional contexts will produce different patterns of corporate stakeholder salience. The study is largely exploratory and does not present or adopt any normative stance (or 'best practice' approach) towards corporate stakeholding, governance and accountability. These are rather examined as neutral business practices (Amaeshi and Adi, 2007).

Table 1-0-3: Relevance of the varieties of capitalism model to understanding corporate stakeholder salience

Relevance	Citations from a couple of recent major works on Varieties of Capitalism (Hancke et al., 2007 and Vitols, 2001)
Ability to link micro to macro practices	VoC is concerned with the macro-characteristics of national political economies. But one of its most important contributions has been to give micro-foundations to a more general theory of cross-national capitalist organization and adjustment. By placing the firm at the centre of the analysis, and adopting a 'relational view' of its role as an exploiter of the core competencies and capabilities in its environment, VoC demonstrates the links between the competitiveness of the firm and the 'institutional comparative advantage' of national economies. (Hancke et al., 2007:5)
Varieties of capitalism suited for understanding relevance of multiple	Institutional comparative advantage arises from the complementarities between the following key components of a political economic system: (a) labour

Relevance	Citations from a couple of recent major works on Varieties of Capitalism (Hancke et al., 2007 and Vitols, 2001)
actors (stakeholders) in national institutional contexts	relations and corporate governance, (b) labour relations and the national training system, and (c) corporate governance and inter-firm relations. The relationships between them determine to the degree to which a system is coordinated or not (Hancke et al., 2007:5)
Offers leeway to integrate stakeholder management theory with new institutionalism	The 'coordinated market economy' (CME) is characterized by non-market relations, collaboration, credible commitments, and the 'deliberative calculation' of firms. The essence of its 'liberal market economy' (LME) antithesis is one of arm's length, competitive relations, formal contracting, and supply-and-demand price signalling (Hancke et al., 2007:5)
	"VoC offers a framework within which the linkages between external investors and other actors relevant to the firm can be systematically explored. The concepts of coordinated market economies (CMEs) and liberal market economies (LMEs) provide a broader institutional context within which stakeholder and shareholder models of governance, respectively, can be analyzed" (Vitols, 2001:337/8)
	... rational owners and stakeholders in CMEs will not demand a wholesale adoption of Anglo-American

Relevance	Citations from a couple of recent major works on Varieties of Capitalism (Hancke et al., 2007 and Vitols, 2001)
	management practices if it would endanger their comparative institutional advantage. Although an economic shock may trigger changes of existing institutions and practices, and may even entail a period of conflict and suboptimal outcomes, a new equilibrium will be induced by the incentives for renewed coordination imparted by existing deliberative institutions .... Change, therefore, is most likely to be path-dependent, and significant path-shifting or equilibrium-breaking behaviour on the part of actors – producing a fully fledged shift from a CME to an LME, for example – is very unlikely to occur due to the 'general efficiencies' for distinctive political economies created by 'complementatiries' (Hancke et al., 2007:6)
VoC provides a vehicle to integrate stakeholder management theory with globalisation and debate on convergence and divergence national systems	"Since VoC stresses the embeddedness of national institutions as well as the possibility of 'complementarities' between different combinations of these institutions, VoC hypothesizes that responses to [internationalisation or globalisation] other than convergence are possible. Companies may respond very differently to similar sorts of pressures and distinct sets of 'best practice' contingent on the national context

Relevance	Citations from a couple of recent major works on Varieties of Capitalism (Hancke et al., 2007 and Vitols, 2001)
	may emerge" (Vitols, 2001: 338)

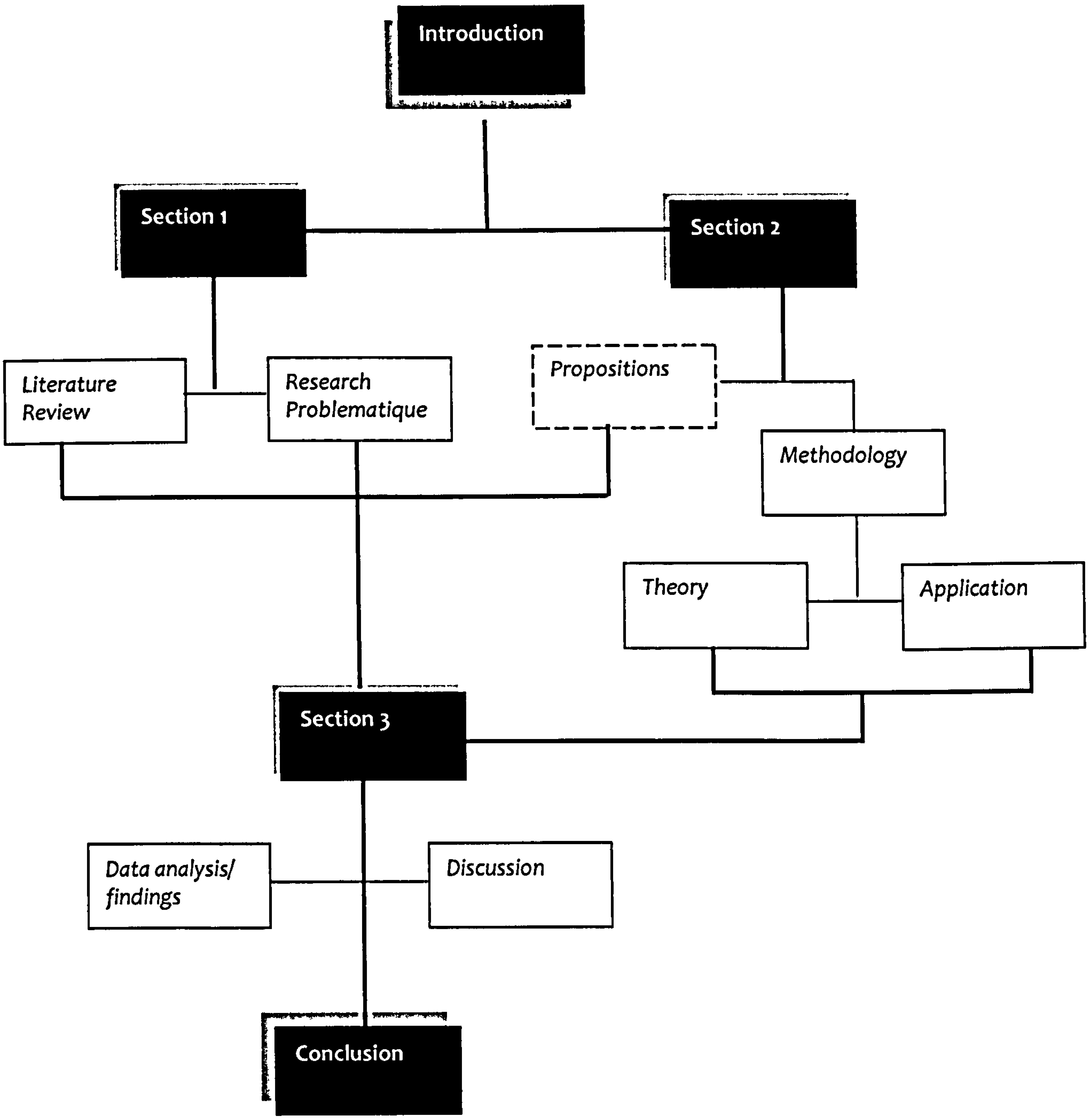
The thesis is divided into three main and inter-linked sections. The first section discusses stakeholder salience, corporate social responsibility, corporate governance and accountability; and their links to the varieties of capitalism analytical framework. The second section focuses on the theoretical underpinnings of the methodology used in the study as well as the application of this methodology. Section three presents the results of the study and offer some explanations, suggestions and recommendations, as well as highlighting possible areas of further research – and then the conclusion follows. The table and the diagrammatic structure below, give an overview of the overall structure of the thesis.

Table 1.0-4: Thesis Structure

Captions	**Chapters**
Introduction	**Chapter 1**
Section 1	**Chapters 2, 3, and (4)**
- Literature Review	Chapter 2
- Research Problematique	Chapter 3
- Research Propositions	Chapter 4

Captions	Chapters
Section 2	**Chapters (4), 5, and 6**
- Research Propositions	Chapter 4
- Methodology – theoretical underpinnings	
- Methodology – application	
Section 3	**Chapters 7 and 8**
- Data analysis and findings	Chapter 7
- Discussion – stakeholder salience and institutions	Chapter 8
Conclusion	**Chapter 9**

Figure 1-0-1: Overall Thesis Structure



CHAPTER 2: MULTI-LEVEL THEORISATIONS OF CORPORATE STAKEHOLDING: IMPLICATIONS FOR CORPORATE SOCIAL RESPONSIBILITY, GOVERNANCE AND ACCOUNTABILITY

2.1: Tone Setting

It is the position of this study that corporate stakeholding practice, as a firm behaviour, is implicated in dynamic interactions between managerial discretion and rationality, on one hand, and institutional contexts, on the other (Sharma, 2000; Jones, 1999; Greening and Gray, 1994; Matten and Moon, forthcoming). In other words, corporate stakeholder salience practice is both constrained and enabled by the institutional context in which it is enacted, as well as by managerial influences. This study intends to explore the interactions between managerial discretion and institutional contexts through corporate social reports as visual artefacts of corporate social responsibility and stakeholder accountability. In this regard, this chapter is a literature review of the following:

- **Corporate stakeholder salience** – in order to highlight the state of the art thinking in this field and the pre-dominance of the managerialist (actor-centric) view. Implications of this view on theory and practice will be explored in relation to CSR, corporate governance and accountability

- **Institutionalism** – in order to particularly highlight the interactive role of structure (institutional contexts) and agency (managers) on firm behaviour. This will draw mainly from new institutionalism, which is much more appropriate for the study of meso and macro level organisational practices than, shall we say, Giddens (1984) structurational theory. The goal here is to emphasise that the institutionalist perspective can add some value to our understanding of corporate stakeholding and accountability practices

The chapter will briefly cover the history of the stakeholder perspective to business and organisational studies, discuss the different underpinning philosophies of this perspective, and how they relate to the corporate social responsibility movement. It will also highlight the significance of examining the roles and influences of stakeholders, their interactions with managers as well as the institutional configurations in which they act, and are acted upon, in order to further explain variations in behaviour of firms in different institutional contexts. In essence, the goal of this chapter is to set the stage to unpack corporate stakeholder salience pattern within the UK and German capitalist systems, respectively.

2.2: Corporate Stakeholder Salience

2.2.1: Brief History of Stakeholder Salience in Management Literature

The stakeholder perspective to organising and managing firms is one of the major management paradigm shifts in the late last century. The theory, in its present form, is traceable to Freeman (1984:246) who defined stakeholders as "...those groups and individuals who can affect, or are affected by the achievement of an organization's purpose". More recently, Freeman provides a more instrumental definition of stakeholders as "...those groups who are vital to the survival and success of the corporation" (Freeman, 2004:58). The use of the term stakeholder in an economic sense could be traced to the works of the Stanford Research Institute (now SRI) in the 1960s (Freeman, 1984; Slinger, 1999; Freeman and McVea, 2001). It was then used as a metaphor to encourage an inclusive approach – that takes wider perspectives – to adapting to the turbulent business environment. From the start, the stakeholder approach grew out of management practice (Freeman and McVea, 2001:190) to such areas as corporate planning, systems theory, organisational theory, and corporate social responsibility. It took another 20 years from the 1960s for the stakeholder approach to crystallise. It was in pulling together of these perspectives that Edward Freeman in the early 1980s articulated the stakeholder approach as a framework for strategic management (Freeman and McVea, 2001) in his classic - *Strategic Management: A stakeholder Approach*. And since then, the concept has been embedded in management scholarship and in managerial practice (Mitchell et al., 1997).

2.2.2: Definitions of Stakeholding

Despite its contemporary popularity and proliferation since Freeman (1984), the term 'stakeholder' has joined the league of words (for example, the word 'strategy') that are over-used and yet not clearly understood, or at best are still contested (Friedman and Miles, 2006). This is more so, especially as the word easily lends itself to multiple applications in support of what could be considered as 'fashionable constructs' of the time. For example, it has featured in such combinations as stakeholder society ((Ackerman and Alstott, 1999), stakeholder capitalism (Kelly et al., 1997; Jones, 1999), Stakeholder Corporation (Kay, 1997), et cetera, which renders any attempts to provide a succinct definition for stakeholding cumbersome. Nonetheless, many authors have gone round to define stakeholders by the nature of "stakes" they hold. Mitchell et al. (1997) provided a list of such definitions as shown below:

Table 2-0-1: Definitions of Stakeholder Concept

Source	*Stake*
Stanford memo, 1963	"those groups without whose support the organization would cease to exist" (cited in Freeman & Reed, 1983; and Freeman, 1984)
Rhenman, 1964	"are depending on the firm in order to achiever their personal

Source	Stake
	goals and on whom the firm is depending for its existence" (cited in Nasi, 1985)
Ahlstedt and Jahnukainen, 1971	"driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending" (cited in Nasi, 1995)
Freeman & Reed, 1983:91	Wide: "can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives" Narrow: "on which the organization is dependent for its continued survival"
Freeman, 1984:46	"can affect or is affected by the achievement of an organization's objectives"
Freeman & Gilbert, 1987:397	"can affect or is affected by a business"
Cornell & Shapiro, 1987: 5	"claimants" who have "contracts"
Evan & Freeman, 1988: 75 – 76	"have a stake in or claim on the firm"
Evan & Freeman, 1988: 79	"benefit from or are harmed by, and whose rights are violated or respected by, corporate actions"
Bowie, 1988: 112, n.2	"without whose support the organization would cease to exist"
Alkhafaji, 1989: 36	"groups to whom the corporation is responsible"
Carroll, 1989: 57	"asserts to have one or more of these kinds of stakes" –

Source	*Stake*
	"ranging from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property"
Freeman & Evan, 1990	contract holders
Thompson et al., 1991: 209	in "relationship with an organization"
Savage et al., 1991: 61	"have an interest in the actions of an organization and ... the ability to influence it"
Hill & Jones, 1992: 133	"constituents who have a legitimate claim on the firm...established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)"
Brenner, 1993: 205	"having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities"
Carroll, 1993: 60	"asserts to have one or more of the kinds of stakes in business" – may be affected or affect...
Freeman, 1994: 415	participants in "the human process of joint value creation"
Wicks et al., 1994: 483	"interact with and give meaning and definition to the corporation"
Langtry, 1994: 433	the firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm
Starik, 1994: 90	"can and are making their actual stakes known" – "are or

Source	Stake
	might be influenced by, or are or potentially are influencers of, some organization"
Clarkson, 1994: 5	"bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm" or "are placed at risk as a result of a firm's activities"
Clarkson, 1995: 106	"have, or claim, ownership, rights, or interests in a corporation and its activities"
Nasi, 1995: 19	"interact with the firm and thus make its operation possible"
Brenner, 1995: 76, n.1	"are or which could impact or be impacted by the firm/organization"
Donaldson & Preston, 1995: 85	"persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity"

Adapted from Mitchell et al. (1997:858) – **see Mitchell et al. for the details of references above.**

2.2.3: Broad and Narrow Perspectives to Stakeholding

These definitions, above, mainly show that stakeholder conceptualisation and use in management literature ranges from broad, inclusive definitions to narrow views of the firm's stakeholder environment. The narrow view of stakeholding refers specifically to those stakeholders that have vested 'stakes' in the firm. Carroll (1993:22) defines them as: "individuals or groups with which business interacts who have a 'stake', or vested interest, in the firm". These could be employees, shareholders, management, government, society, etc as long as they have explicit stakes and or vested interests in the firm. The broad view of stakeholding goes beyond those stakeholders that have explicit stakes and vested interests in the firm to extend to those stakeholders that could affect and or affected by the activities of the firm (Starik, 1995, 1994). Starik (1994:92), for instance, suggests that these stakeholders, from a broad view of the concept, could be "any naturally occurring entity which affects or is affected by organizational performance". In essence these stakeholders will include living entities such as plants and animals as well as non living beings such as the natural environment and ecology. It could also be stretched to include such groups as 'unborn generations' (Freeman and Miles, 2006), as often articulated in sustainable development discourse. The 'stakes' and vested interests associated with stakeholding are further categorised into primary and secondary stakeholding. Primary stakeholding involves fiduciary obligations from the firm while secondary stakeholding does not involve such obligations. In this regard, examples of primary stakeholders will include shareholders, employees and managers, while those of secondary stakeholders might be local communities, environmental groups, suppliers, etc. This notion of fiduciary and non fiduciary stakeholding underpins most of the existing corporate governance frameworks and typologies (Aguilera, 2005; Aguilera and Jackson, 2003; Slinger, 1999). Commenting on this from a comparative governance perspective, Aguilera and Jackson (2003:454) write:

> The corporate governance literature largely neglects employees .... This omission partly reflects weak employee participation in the United States relative to that in economies such as Germany or Japan, where labor participation is politically important and often a source of competitive advantage .... In addition, a major assumption of agency theorists is that shareholders are the only bearers of ex post residual risk, and, thus, employee interests are treated only as an exogenous parameter.

In addition, some inclusive definitions are driven by the understanding that stakeholders have intrinsic value and managers have a moral duty to be responsible to a variety of stakeholders (Donaldson & Preston, 1995; Evan & Freeman, 1988; Freeman & Evan, 1990). More narrow strategic or instrumental perspectives (Donaldson & Preston, 1995), on the other hand, define stakeholders as those groups or individuals that are in a mutually dependent, risk-based, or exchange relationship with a firm (e.g., Clarkson, 1995; Mitchell et al., 1997). The oscillation between the narrow and broad interpretations often leads to multiple views and practices of stakeholding in management literature.

2.2.4: Varieties of Stakeholding Paradigms

Donaldson and Preston (1995)'s major contribution to the stakeholder theory in management studies, is identifying that the stakeholder concept is largely theorised in the literature from three main perspectives: (a) descriptive (b) instrumental and (c) normative

2.2.4.1: Descriptive perspective

The descriptive aspect of the stakeholder theory, as the name suggests, merely describes what the corporation is – "... a constellation of co-operative and competitive interests possessing intrinsic value" (Donaldson and Preston, 1995:.66) and who they consider as possible stakeholders. It also highlights the interactions between firms and their stakeholders with the aim of contributing to knowledge, theory and practice. Its justifications are to show that theory corresponds to observed reality. It is neither judgmental nor prescriptive. However, it is difficult to claim that it is value neutral, as research and researchers are often and even inadvertently value-laden and value driven (Darke et al., 1998; Appadurai, 1999; Hardy et al., 2001; Ritchie and Lewis, 2003; Johnson and Onwuegbuzie, 2004).

2.2.4.2: Instrumental perspective

This perspective theorises stakeholding by examining the consequences of corporate stakeholding. It is underpinned by the paradigm that meeting stakeholder needs, could be driven by instrumentalist goals and objectives (Jones et al., 2007). According to Jones et al., "... instrumentalist firms place preeminent value on the pursuit of corporate self-interest with *guile*. Other terms used to convey this orientation are *enlightened self-interest, pragmatic morality*, and *strategic morality*" (emphasis, theirs, p.152). The instrumentalist form of stakeholder relationship does not necessarily give voice to stakeholders and is often characterised by a one way communication and unequal balance of power (Crane and Livesey, 2003). A more critical view of it suggests that it is not genuine; it is selfish and firms involve in it because "... it makes good business sense ... (and)... helps companies to mitigate risk, protect corporate brand, and gain competitive advantage... (Deloitte Touche Tohmatsu, 2002:2 cited in Brown and Fraser, 2006). From a sort of neutral stance, it may be better aligned to the language of contemporary capitalism than most other perspectives (Amaeshi and Adi, 2007).

2.2.4.3: Normative perspective

Stakeholder theory can, to a large extent, be argued to be fundamentally and originally rooted in norms and mores. The normative perspective to stakeholding is largely prescriptive of 'who' ought to be considered as stakeholders and what is 'right' or 'wrong' to do in relation to stakeholders. It draws its legitimacy from its inclination towards some moral standards. According to Donaldson and Preston (1995:72), "... a normative theory attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles". Morality in this case might be seen as not merely a matter of rules, but also of principles – general standards for evaluating conduct, standards that we apply to all behaviours and rules. According to Freeman and Miles (2006:36), normative can refer to:

- The norms or standard practices of society as it exists
- The way one would live in an ideal 'good' society
- What we ought to do, either in order to achieve a good society or unconnected with any notion of the 'good'.

At the individual level these principles include that of utility, also, known as the principle of the greatest happiness. It tells us to produce the greatest balance of happiness over unhappiness, making sure that we give equal consideration to the happiness and unhappiness of everyone who stands to be affected by our actions. Morality also includes the principle of fairness founded on the golden rule that states, "Do unto others as we should have them do unto us" and which is, basically founded on the need to respect the other person. In addition, there is the ethics of care and virtue ethics views that are gaining popularity today (Gilligan, 1977, 1982). These principles of morality at the individual level are also thought to be applicable to institutional and social morality (Olen & Barry, 1992). In relation to firms and stakeholders, therefore, it could be argued that firms with high moral standards will undertake genuine stakeholder engagement, which is thought to be characterised by genuine intentions, dialogue, engagement, trust and fairness (Phillips, 1997; Swift, 2001). In other words, "...moralist firms have a genuine concern for stakeholder interests, making legitimacy the *primary* driver of salience for their managers (emphasis, theirs, Jones et al., 2007:152).

Firms get involved in it, because they know that doing so is good in itself. Donaldson and Preston (1995:67) argue that the fundamental basis of the stakeholder theory is normative and therefore involves acceptance of the following ideas:

a. Stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity. Stakeholders are identified by ***their*** interests in the corporation whether the corporation has any corresponding functional interest in ***them***. (emphasis in original)
b. The interests of all stakeholders are of ***intrinsic value.*** That is, each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners. (emphasis in original)

Leveraging these ideas, Phillips (2003) makes a distinction between normative and derivative stakeholder legitimacy arguing that normative stakeholders are those stakeholders to whom the organisation has a moral obligation, and the answer to the seminal stakeholder question "for whose benefit...should the firm be managed?" (Freeman, 1984); while "...[d]erivative stakeholders are those groups whose actions and claims must be accounted for by managers due to their potential effects upon the organization and its normative stakeholders" (Phillips, 2003).

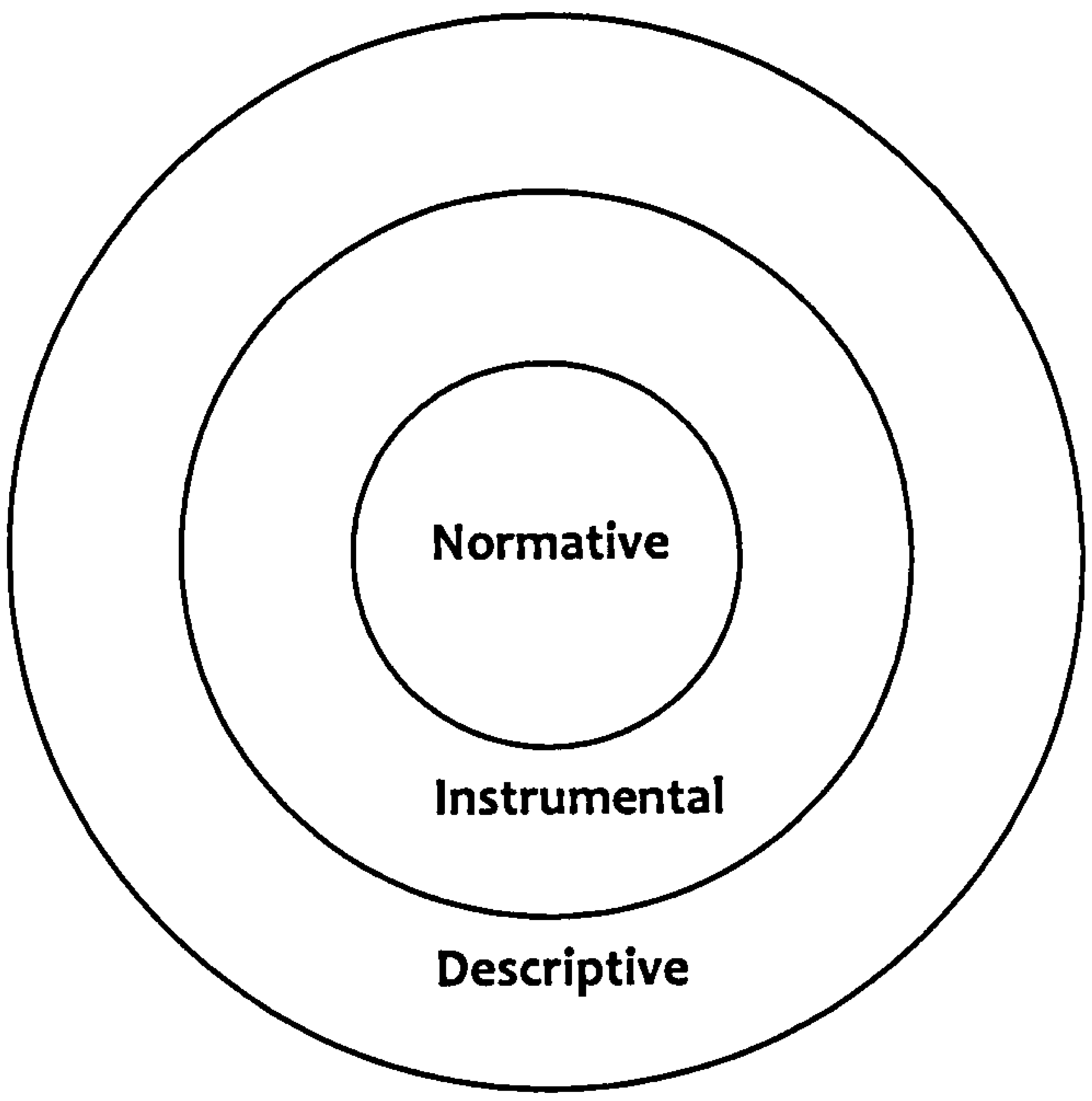
2.2.5: Nesting of Paradigms

While these stakeholding paradigms have been presented as if they are independent of each other, Donaldson and Preston (1995:66) conclude that the three approaches to stakeholder theory – i.e. descriptive, instrumental, and normative – "...are mutually supportive and that the *normative* base serves as the critical underpinning for the theory in all its forms" (emphasis in original). They argue that the different aspects of the stakeholder theory – i.e. normative, instrumental and descriptive – are rather nested. They explain the nested nature of these aspects diagrammatically and in the following words:

> ...the external shell of the theory is its descriptive aspect; the theory presents and explains relationships that are observed in the external world. The theory's descriptive accuracy is supported, at the second level, by its instrumental and predictive value; *if* certain practices are carried out, *then* certain results will be obtained. The central core of the theory is, however, normative. The descriptive accuracy of the theory presumes that managers and other agents act as *if* all stakeholders' interests have intrinsic value. In turn, recognition of these ultimate moral values and obligations gives stakeholder management its fundamental normative base (p.74, emphasis in original)

Figure 2-0-1: Stakeholder theory – nesting of paradigms schematic

Three Aspects of Stakeholder Theory



Donaldson and Preston (1995:74)

2.2.6: Other Stakeholding Paradigms

Andriof and Waddock (2002:34), further highlighted some rationales for adopting the stakeholder approach as shown in the table below. Despite the academic rhetoric, in reality, there are a growing number of pressures on corporations to effectively manage their stakeholders, even where there are no institutional rights on the part of the stakeholders to warrant doing so. As such, it is suggested that corporations should consider the interests of their stakeholders, whether for ethical reasons (Evan and Freeman, 1998; Donaldson and Preston, 1995) or for the achievement of strategic and economic objectives (Frooman, 1999; Maignan et al., 1999 – all cited in Crane and Livesey, 2003). In this light, Andriof et al (2002:9) wrote:

> ...in today's societies successful companies are those that recognise that they have responsibilities to a range of stakeholders that go beyond mere compliance with the law or meeting the fiduciary responsibility inherent in the phrase 'maximising returns to shareholders'. If in the past the focus was on enhancing shareholder value, now it is on engaging stakeholders for long-term value creation. This does not mean that shareholders are not important, or that profitability is not vital to business success, but that in order to survive and be profitable a company must engage with a range of stakeholders whose views on the company's success may vary greatly.

In addition, the world has moved from the 'trust me' culture where stakeholders placed implicit and explicit faith that corporations would act in their best interests, to a 'tell me' and 'show me' culture in which stakeholders wanted to be reassured that organisations will do what is morally right (Sustainability/UNEP 1999:5). Research found that the world is moving towards an 'involve me' culture in which stakeholders are working in partnerships with organisations (Cumming 2001). It is in this partnership model that the essence of stakeholder engagement, corporate social responsibility and accountability is founded.

Table 2-0-2: Other Stakeholding Paradigms

		Rationale	Unit of analysis	Level of analysis	Underlying theory	Advocates
Narrative approach	Metaphorical	Stakeholder as part of a 'story' in broader narrative of corporate life	Participants of organisational processes	Macro-organisational market perspective as a system	Strategic management business policy	Mitroff 1983; Freeman 1995; Litz 1996
	Normative	Corporate social responsibility via fiduciary principle and principle of corporate legitimacy	Modern property rights	System-centred principles	o Utilitarianism o Libertarianism o Social contract theory	Donaldson and Preston 1995; Donaldson and Dunfee 1999
			Agent morality	Organisation-centred principles	Principal agency theory	Wood and Jones 1995; Yuthas and Dillard 1999
			Social contracts (welfare and justice)	System-centred principles	Social contract theory	Rawls 1971; Rousseau 1762; Child and Marcoux 1999
			Kantian capitalism	System-centred principles	Ethical theory (categorical imperative)	Freeman and Evan 1990; Wright and Ferris 1997
Analytical approach	Instrumental	Effect of stakeholder consideration on firm's bottom line	Efficient relationships/ transactions/ relational contracts	Competitive behaviour	o Social network theory o Positive agency theory o Transaction cost theory	Frank 1988; Preston et al. 1991; Hill and Jones 1992; Jones 1994, 1995
	Description	Organisational and managerial behaviour for stakeholder consideration	Extrinsic performance orientation and intrinsic justice/ value orientation	Managerial behaviour	Managerial economics and organisational psychology/ sociology	Clarkson 1995; Etzioni 1998; Mitchell et al. 1997
			Nature of stakeholders and their values and their influence on decisions and nature of the situation	Organisational behaviour	Organisation theory/ decision theory	Brenner and Cochran 1991; Logsdon and Yuthas 1997; Berman et al. 1999

Adapted from Andriof and Waddock (2002:34) – **see Andriof and Waddock for details of references in the table above**

2.3: Implications of micro and macro level theorisations of Corporate Stakeholding Behaviour

The stakeholder concept lies at the heart of contemporary interests in corporate accountability, governance and social responsibility. Stretching the moralist bent of the argument further, some authors have argued that the stakeholder perspective of corporate social responsibility ought to extend to the concept of accountability. However, exposition of the stakeholder theory in the literature has mainly been at the micro level – that is, managerialist (e.g. Freeman, 1984; Mitchell et al., 1997; Agle et al., 1999) and organisational level perspectives (e.g. Jawahar and McLaughlin, 2001; Jones et al., 2007). Donaldson and Preston's conception of stakeholder theory, for example, is heavily managerialistic and they maintain that managers have an essential role in the identification of stakeholders (Donaldson and Preston, 1995: 86). The literature on managerialist view emphasises the centrality of managers in stakeholder related decisions, while the organisational level theorists place emphasis on such constructs as stakeholder culture (Jones et al., 2007) and organisational life cycle (Jawahar and McLaughlin, 2001) as drivers of corporate stakeholder salience. While the stakeholder theory is evolving in management literature, there is parallel stream in the broader domain of social sciences – for example, political economy, politics, international relations and economic sociology that studies firm behaviour more from the meso and macro levels. An example of such streams of studies will include the national business system literature (Whitley, 1998), Varieties of Capitalism (Hall and Soskice, 2001; Crouch, 2005, 2006) and the national system of innovation (Lundvall, 1988) to mention but a few. These studies could be grouped together under the comparative business system umbrella – i.e. "... that institutionalist tradition of research that emphasizes that the way in which economic activities are coordinated and controlled (between holders of capital and managers, between managers and employees) is crucially affected by national institutional contexts .... These contexts (of the financial system, the political system, the educational and training system and the cultural system) set the rules of the game embedded in specific historically emergent social practices such as how capital is made available to entrepreneurs and firms, the types of skills and knowledge possessed by managers and workers, and the mechanisms of coordination and control utilized by managers". (Morgan, 2001:114). These studies tend to categorise firms in relation to their institutional contexts; and one thing they all share in common is an interest in the influences institutional contexts exert on firms and industries either in relation to stability (i.e. institutional isomorphism) or dynamism (i.e. institutional change). Unfortunately, both streams of literature have continued to run in parallel with the chances of converging ever diverging.

This section first provides a further review of the stakeholder theory in management literature, with emphasis on the implications of its managerial and organisational level perspectives. The implications of these micro level views are reviewed in relation to the growing interest in broad corporate social responsibility – and particularly on stakeholder accountability – which is currently dominated by managerialist views and in dire need to transcend this perspective (Lounsbury, 2007; Gray, 2002). The section then examines this interest in stakeholder accountability through the developments in comparative corporate governance studies (e.g. Aguilera and Jackson, 2003; Aguilera, 2005). The interest in comparative corporate governance studies is particularly helpful because these studies have been successful in going beyond manager-centric views to incorporate the role of meso and macro level variables (i.e. industry and institutional levels, respectively) on corporate governance and accountability. Given that the stakeholder theory is a precursor to both corporate social responsibility and stakeholder accountability, studies in comparative corporate governance, it is anticipated, will provide a smooth connection to introduce meso and macro perspectives to stakeholder theory in management. It is through this route that corporate stakeholder salience will be linked to varieties of capitalism framework, which then provides the main research questions of this research study.

2.4: Micro-level theorisation of corporate stakeholder salience in management literature

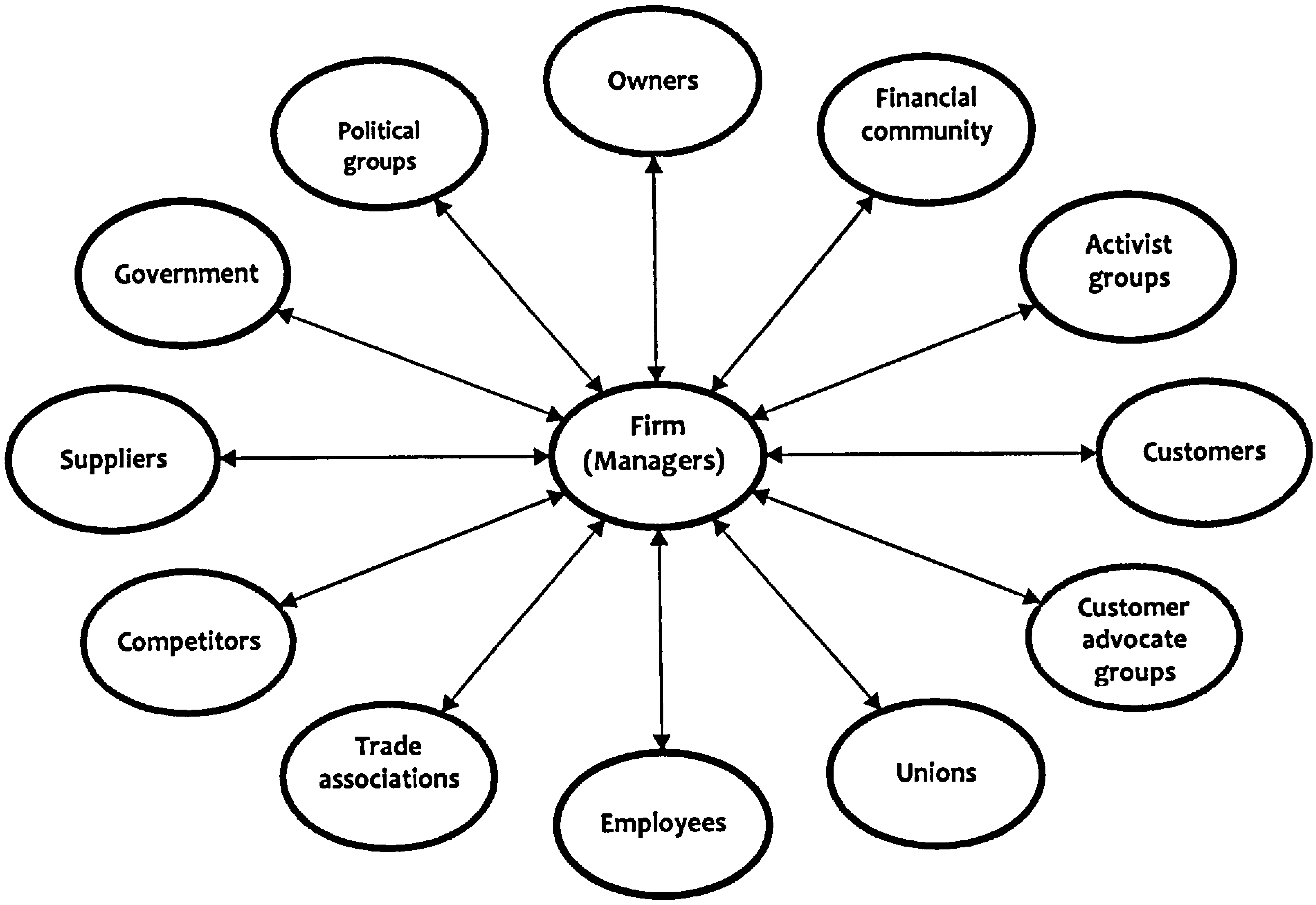
Micro-level theorisation of corporate stakeholder salience in this case refers to those literatures that have examined stakeholder salience either from the managerialist view or from an organisational (corporate) level perspective. Examples of some of these studies are highlighted in the table presenting definitions of the term 'stakes', above. The managerialist view of stakeholding suggests that the firm is a nexus of contracts between stakeholders and managers, who are at a central node, where it is the responsibility of managers to reconcile divergent interests by making strategic decisions and allocating strategic resources in a manner that is most consistent with the claims of the other stakeholder groups (Hill and Jones, 1992:134). Therefore, "the stakeholders that receive priority from management will be those whom managers – especially CEOs – perceive as highly salient" (Agle et al., 1999:510). The organisational or corporate aspect of the micro-level theorisation of stakeholder salience on the other hand, places emphasis on the role of firms (as opposed to managers) in shaping stakeholder-related decisions. However, in the same approach as the managerialist view, it places the firm at the centre of stakeholding, from which the firm exercises power and maintains legitimacy.

2.4.1: Corporate Stakeholder Salience – a managerialist view

It could be argued that contemporary interest in stakeholder theory in management research and practice has been overly managerialist in focus. And the same could be said of it right from its earlier conceptualisation (Freeman, 1984). The managerialist view is driven by its emphasis and dependency on the centrality of manager's perceptions in stakeholder related decisions (as shown in the hub and spoke schematic below). According to this school of thought, stakeholder salience is the degree to which managers give priority to competing stakeholder claims (Mitchell et al., 1997; Agle et al., 1999).

Mitchell et al. (1997) and Agle et al. (1999) are amongst the key contributors in espousing this managerialist view of stakeholder salience. The stakeholder theory of management, according to Mitchell et al., involves identifying and prioritising stakeholder issues based on managerial perceptions of stakeholder salience. Mitchell et al. identified these stakeholder salience variables as: power, legitimacy, and urgency. It could be said that a stakeholder has power when it can impose its will on the firm. Legitimacy implies that stakeholder demands comply with prevailing norms and beliefs. In other words, power accrues to those who control resources needed by the firm (Pfeffer, 1981) and legitimacy is achieved if patterns of organisational practice are in congruence with the wider social system (Scott and Meyer, 1983; Scott 1987, 1995; Powell and DiMaggio, 1991). However, power and legitimacy can appear together, giving authority to those who have both, but they can also appear independently. Finally, urgency is a concept sustained on two elements: (1) the importance stakeholders accord their own demands; and (2) their sensitivity to how long it takes managers to deal with their demands (Gago and Antolin, 2004). These salient variables according to Mitchell et al. will determine how managers respond to stakeholders.

Figure 2-0-2: Stakeholder Wheel



Freeman (1984:55), managers added to emphasise the managerialist view (Hill and Jones, 1992)

Drawing from social cognition theory (Fiske and Taylor, 1984), Agle et al. (1999:509) explain that "...as the stakeholder attributes of power, legitimacy, and urgency cumulate in the mind of a manager, selectivity is enhanced, intensity is increased, and higher salience of the stakeholder group is the likely result". Agle et al. (1999) also tested Mitchell et al. (1997)'s theoretical model of stakeholder salience and confirm this model. They found that in the minds of CEOs, the stakeholder attributes of power, legitimacy, and urgency are individually ...and cumulatively... related to stakeholder salience across all groups; (which)... suggests that these stakeholder attributes (of power, legitimacy and urgency) do affect the degree to which top managers give priority to competing stakeholders" (p.521).

While "... the stakeholder approach to management can be considered a knowledge structure that determines how a manager selectively perceives, evaluates, and interprets attributes of the environment" (Wolfe and Putler, 2002:65), some have criticised the stakeholder theory of management on the grounds that it provides unscrupulous managers with a ready excuse to act in their own self-interest thus resurrecting the agency problem that the shareholder wealth maximisation imperative was designed to overcome (Phillips et al, 2003). Opportunistic managers can more easily act in their own self-interest by claiming that the action actually benefits some stakeholder group or other (Jensen 2000); Marcoux 2000, Sternberg, 2000). In this regard, Marcoux (2000:97), wrote: "All but the most egregious self-serving managerial behavior will doubtless serve the interests of some stakeholder constituencies and work against the interests of others". In the same trend, Sternberg (2000:51f) argues that stakeholder theory, "effectively destroys business accountability ... because a business that is accountable to all, is actually accountable to none".

In response to this criticism of opportunistic self-interest on the part of managers, Phillips et al (2003) argue that no small measure of managerial opportunism has occurred in the name of shareholder wealth maximisation, as well. While this sounds like a *tu quoque* (and you too!) fallacy, Phillips et al simply describe this criticism as a version of the evil genie argument – "...one that is no more (or less) problematic for any one theory or idea than only of the extant alternatives" (p.482). Continuing, they argue that although managerial opportunism is a problem, it is no more a problem for stakeholder theory than the alternatives. On the criticism of multiple master service (i.e. accountability to all), Phillips et al, citing examples from Hill & Jones (1992) stakeholder-agency theory, argue that managers' interest in organisational growth runs contrary not only to the interests of stockholders, but also contrary to the interests of stakeholders. As such, the claims of different groups may conflict, however, on a more general level; each group can be seen as having a stake in the continued existence of the firm (Hill & Jones, 1992:145). Stakeholder theory, therefore, does not advocate the service of two masters. Rather, "...managers serve the interest of one master: the organisation" (Phillip et al, 2003:484).

However, Phillip et al.'s response does not take away from the fact that dominant corporate stakeholder salience theorisation is largely managerialist in approach. Although both Mitchell et al. (1997) and Agle et al. (1999) linked stakeholder salience to legitimacy, which is an attribute of the wider social system (Scott 1987; Powell and DiMaggio, 1991) they seem to promote managerial perception in such decisions and under-emphasise this institutional dimension of stakeholder salience. As a result, they fail to account for how the wider social system enables and or constrains corporate stakeholder salience decisions. In summary then, it could be said that the managerialist view of corporate stakeholder salience championed by such dominant views as those of Mitchell et al. (1997) and Agle et al. (1999) exhibit the following characteristics in common:

1. **Managers are placed at the centre of stakeholding:** The starting point of the stakeholder theory was around managers: "...the impetus behind stakeholder management was to try and build a framework that was responsive to the concerns of managers who were being buffeted by unprecedented levels of environmental turbulence and change. Traditional strategy frameworks were neither helping managers to develop new strategic directions nor were they helping them to understand how to create new opportunities in the midst of so much change" (Freeman and McVea, 2005:189)

2. **Managers are framed and positioned as autonomous independent actors:** "A stakeholder approach emphasizes *active* management of the business environment, relationships and the promotion of shared interests" (Freeman and McVea, 2005:192 – emphasis in original).

3. **Managerial perceptions are emphasised more than institutional influences:** The influence of wider social system on stakeholder salience (i.e. the institutional context in which stakeholder salience is embedded and enacted) is under-emphasised. On the contrary, stakeholders and

stakeholder salience are theorised as subject to managerial perceptions, constructions and choices

2.4.2: Corporate Stakeholder Salience – an organisational level view

Firm level theorization of stakeholder salience goes beyond the managerialist perspective to emphasise the role of organisational context on stakeholder-related decisions. In this section, we review two major contributions to this perspective. One is Jawahar and McLaughlin (2001) who proposed that decisions on stakeholder salience are influenced by where a firm is on its organisational life-cycle and the other is Jones et al. (2007) who argue that organisational stakeholder culture influences stakeholder salience decisions.

2.4.2.1: Organisational life cycle – (Jawahar and McLaughlin, 2001)

In opposition to the managerialist perspective of stakeholder salience and drawing from resource dependence theory (Pfeffer and Salancik, 1978), Jawahar and McLaughlin (2001:401) argue that "…managers do not have unbridled strategic choice…but must make strategic choices within constraints". One of these constraints include where the organisation is in its life-cycle development – i.e. where it is in one of the four overlapping phases comprising of start-up, emerging growth, maturity and revival (p.404) . The organisation strives to survive and as such is very likely to naturally gravitate towards those stakeholders that provide essential resources to its survival and sustenance.

> ...organizations in start-up or decline/revival stages are likely to favor certain stakeholders..., depending on the extent to which they are dependent on those stakeholders for resources critical to organizational survival.
>
> Organizations are unlikely to fulfil all the responsibilities they have toward each primary stakeholder group. Instead, they are likely to fulfil economic and all noneconomic responsibilities of some primary stakeholders but not others and, over time, to fulfil responsibilities relative to each stakeholder to varying extents. This variation is how organizations deal with different stakeholders, simultaneously and over time (i.e., across life cycle stages)... (p.397)

This dependency on specific resourceful stakeholders is the source of power over the firm on the part of the stakeholders (Mitchell et al., 1997). Continuing, Jawahar and McLaughlin (2001:405) in their study confirm that:

1. at any given organisational life cycle stage, certain stakeholders, because of their potential to satisfy critical organisational needs, will be more important than others

2. specific stakeholders are likely to become more or less important as an organisation evolves from one stage to the next
3. the strategy an organisation uses to deal with each stakeholder will depend on the importance of that stakeholder to the organisation relative to other stakeholders

Start-up phase: in this phase, the organisation is desperate to survive and as such requires access to finance and market. Given these required resources, the organisation is likely to be inclined to such stakeholder groups as shareholders and creditors for finance and to customers for market share. Jawahar and McLaughlin argue that the other stakeholder groups (e.g. government, employees, and suppliers) would only be considered if they were thought to be critical to the survival of the organisation at this stage.

Emerging growth stage: this stage is mainly characterised by the need to build quality brand, workforce and products and to obtain resources to accommodate rapid growth in expansion (Jawahar and McLaughlin, 2001:408). Employees and suppliers are considered very important at this stage because they provide the quality of workforce and material inputs to production development, respectively, needed to sustain the organisation.

Mature stage: this stage is often characterised by 'tempered overconfidence' of success and attended by strong cash flows, without particularly attractive investment opportunities (p.408). The organisation is likely to deal with all primary stakeholders in a proactive manner at this stage. Jahawar and McLaughlin (2001) in this case borrow Clarkson's articulation of primary stakeholders as groups typically comprised of shareholders and investors, employees, customers, and suppliers, together with what is defined as the public stakeholder group: the government and communities that provide infrastructures and markers, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due (Clarkson, 1995:106).

Decline/transition stage: at this stage, the organisation is likely to experience dwindling patronage, loss of market share, and or make efforts to build new markets or rebuild existing market share. Main stakeholder focus will be customers and creditors. Unless government, community, trade associations et cetera are essential for survival, the organisation is very likely to adopt defensive strategies towards these latter groups.

Table 2-3: Stakeholder salience and organisational life cycle

Phases	Pressing needs	Important stakeholders
Start-up	Access to finance, market share	Shareholders, creditors, customers
Emerging growth	Need to build a quality workforce and products and to obtain resources to accommodate rapid growth and expansion (p.	Suppliers, employees

Phases	Pressing needs	Important stakeholders
	408)	
Mature stage	Often characterised by 'tempered overconfidence' of success and attended by strong cash flows, without particularly attractive investment opportunities (p.408)	Likely to deal with all primary stakeholders in a proactive manner
Decline/transition stage	Dwindling patronage, loss of market share, and or efforts to build a new market or rebuild market share	Main stakeholder focus will be customers and creditors. Unless government, community, trade associations etc are essential for survival, the organisation is very likely to adopt defensive strategies towards these latter groups.

One of the limitations of this framework, amongst others, is that it does not explicitly address differences in stakeholder salience arising from industry of the organisation. For instance, most firms in such sectors as the chemical and or oil/gas might be constrained by government policies or environmental pressures to take on environmental and community issues earlier in their life cycle (for details on industry driven differences in corporate stakeholding, see Jones, 1999; Beliveau et al., 1994; Greening and Gray, 1994; Baucus and Near, 1991). However, several scholars have suggested that an organisation can adopt different approaches to deal with its stakeholders, including proaction, accommodation, defense, and reaction (Carroll, 1979; Clarkson, 1995; Gatewood & Carroll, 1981; Wartick & Cochran, 1985).

2.4.2.2: Organisational Stakeholder Culture (Jones et al., 2007)

Jones et al. (2007) started from the point that "...whereas the focus of attention in stakeholder theory mainly has been on top managers, understood as relatively autonomous decision makers, these managers are often profoundly influenced by the organisational context in which they are embedded" and suggests a need to "...identify *organization-level* factors that could help us predict how firms manage stakeholder relationships" (p.137, emphasis in original). This is a radical departure from the view that stakeholder related decisions are functions of managerial choice. They recognise that stakeholder relationships are often fraught with tensions and note that managers often feel these tensions between meeting narrow demands of stakeholding based on self interest and the broad demands based on "a concern for the interests of others" (p.137). These tensions are further exacerbated by the continuous pull on managers between what

Hendry (2004) regards as traditional morality (obligation and duty, honesty and respect, fairness and equity, care and assistance) and market morality (self-interest). To resolve these tensions, Jones et al. introduce stakeholder culture as an organisational level construct that helps managers go through stakeholder related decisions with less stress. Emphasising the mediating role of stakeholder culture on managerial stakeholding decisions, Jones et al. posit that: "...stakeholder culture is a potent organizational factor, profoundly influencing the way in which managers understand, prioritize, and respond to stakeholder issues and, as an example, how they establish stakeholder salience" (pp.140-141).

Jones et al. (2007) define the stakeholder culture as "...the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders" (p.142). It is articulated as a central facet of organizational culture as well as an organisational memory of how moral tensions between self-interest and other-regarding interests were resolved in the past. It is as well a simultaneous outcome of "...employee sentiments and reified 'social facts' that have an independent effect on managerial decisions making" (p. 143). According to Jones et al. (2007), the stakeholder culture influences managerial stakeholder-related decisions in two related ways: "(1) by constituting a common interpretive frame on the basis of which information about stakeholder attributes and issues is collected, screened, and evaluated and (2) by motivating behaviours and practices – and, by extension, organizational routines – that preserve, enhance, or otherwise support the organization's culture" (p.143). However, this stakeholder culture is "grounded in ethics and based on a continuum of concern for others that runs from self-regarding to other-regarding" (143). In other words, the beginning part of the continuum has a narrow stakeholder orientation while the latter stages are broadly oriented. Based on this continuum and combination of narrow and broad stakeholder orientations, respectively, Jones et al. (2007) come up with five categories of corporate stakeholder cultures, which are further subdivided into three typologies: amoral (i.e. agency culture or managerial egoism), limited morality (i.e. corporate egoism and instrumentalism), and broad morality (i.e. morality and altruism).

1. ***Agency Culture:*** This is characterised by managerial egoism, and is "...the pursuit of self-interest at the individual level, even if the interests of the corporation and its shareholders, for whom managers nominally work, must be sacrificed" (p.144). This culture is dominated by self-centredness among the managers of the firm. In other words, managers work entirely for their self-interests. This sort of culture lies at the heart of the old 'agency problem' between managers and shareholders.

2. ***Corporate Egoist:*** In firms characterised by corporate egoism, the predominant culture is pursuit of short-term profit maximization. This kind of culture is primarily geared towards shareholders' wealth

maximization. Adherence to law is only done when the costs of law breaking is considered to out-weigh the gains.

3. ***Instrumentalist:*** Managers in instrumentalist cultures recognise that moral behaviour could be beneficial to the firm, and practice morality as a strategic device for increasing profitability (Lantos, 2001). Behaviour of managers appears morally to people, but the underlying motive of managers is to advance economic interests of shareholders. In this case, stakeholders are seen more as means or impediments to the goals of the firm (p.146)

4. ***Moralist:*** This is a broadly moral culture where the focus is to adhere to principles irrespective of economic pressures. Moral standards are only violated if there is a threat to the survival of the firm (p.149).

5. ***Altruistic:*** In altruistic cultures, the concern for others dominates. Adherence to rules irrespective of the implications to the firm dominates and there is also emphasis in treating all the stakeholders fairly and with respect.

A summary of these stakeholder cultures and their orientations are presented in the schematic below.

Figure 2-0-3: Varieties of corporate stakeholder cultures and orientations

	Agency	Corporate Egoist	Instrumentalist	Moralist	Altruist
Alternative descriptions	• Amoral management • Management egoism	• Short-term profit maximization • Short-term self-interest of the corporate level	• Enlightened self-interest • Instrumental or strategic morality	• Genuine concern for welfare of normative stakeholders • Moral pragmatism	• Pure intrinsic morality • Moral purism
Moral orientation; self- versus other-regarding	• Pure egoism • Purely self-regarding	• Regard for others extends to shareholders; belief in efficiency of the market	• Same as corporate egoist	• Morally based regard for normative stakeholders	• Morally based regard for normative stakeholders only
Relevant stakeholders	• None	• Shareholders only	• Shareholders only, but other stakeholders as means to shareholder ends	• All normative and derivative stakeholders	• Normative stakeholders only

Adapted from Jones et al. (2007:145)

2.4.2.3: Summary of Organisational level view of corporate stakeholder salience

Drawing from accounts of corporate stakeholding of Jawahar and McLaughlin, (2001) – organisational lifecycle approach – and Jones et al., (2007) – organisational stakeholder culture view – presented above, it could be said that the organisational level view of corporate stakeholder salience also shares some characteristics in common with the managerialist view – albeit from non-atomised actor perspective. In this case, in stead of placing managers at the centre of corporate stakeholding, the organisational level view places the firm at the centre. It fundamentally shifts from the individual cognition central to the managerialist view to a form of organisational collective cognition and action, whilst still theorising the firm as powerful and legitimate, and under-emphasising the influence of the wider social system in corporate stakeholding process.

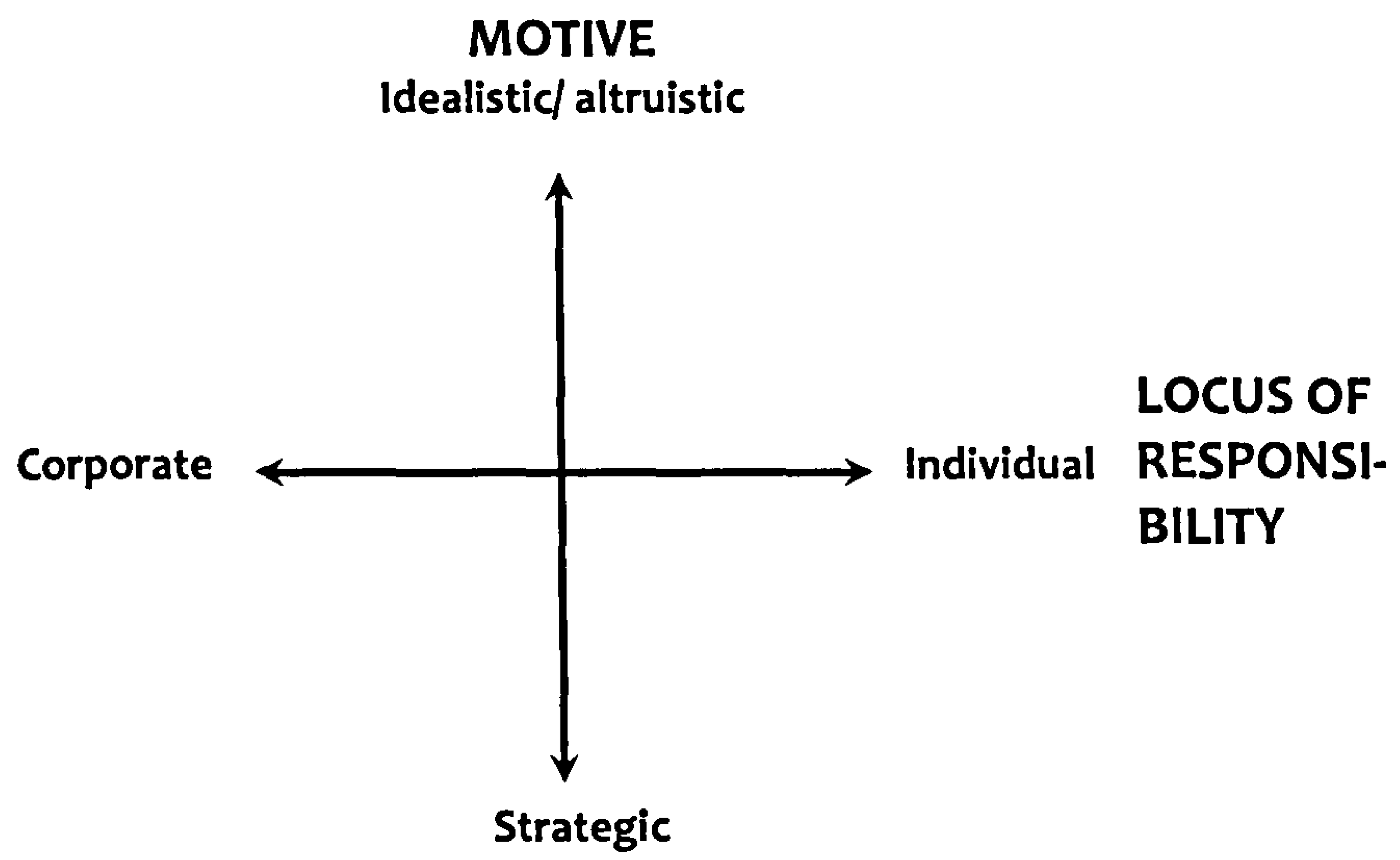
2.5: Influences of micro-level theorisation of stakeholding on corporate social responsibility literature

In the sections below we draw from insights from the micro-level theorisations of stakeholding presented in previous sections to x-ray the different paradigms underpinning the contemporary stakeholder approach to corporate social responsibility – where firms and managers are encouraged to prioritise other stakeholders in addition to shareholders. However, this prioritisation of corporate social responsibility agenda is still largely assumed to be solely dependent on managerial discretion and organisational strategic choices (Child, 1972, 1997). In such cases, the institutional influences on both managerial and organisational choices are under-emphasised.

2.5.1: Micro-level theorisations of Corporate Social Responsibility

The stakeholder theory of the firm is central to the current corporate social responsibility movement. Without the stakeholder theory, corporate social responsibility loses its fundamental structure and crumbles. As a precursor to corporate social responsibility, the micro-level theorisation of corporate stakeholding also finds an expression through contemporary corporate social responsibility discourse. In this case, however, managers assume central positions in shaping and setting corporate social responsibility agenda. In their work on 'Managers' Personal Values as Drivers of Corporate Social Responsibility', Hemingway and Maclagan (2004:34) propose two key dimensions for the analysis of corporate social responsibility in practice, as shown in the diagram below. The motivational basis of the framework, which lies on the vertical axis, asks if the corporate social responsibility practice analyzed is driven primarily by commercial interests or is it just idealistic, even altruistic. In this case, one can see some similarities between commercial interests and instrumental dimension of stakeholding, and idealistic/altruistic interests as related to normative dimensions of stakeholding proposed by Donaldson and Preston (1995).

Figure 2-0-4: CSR analysis framework



A framework for analyzing CSR (Hemingway and Maclagan, 2004:34)

The second aspect of the framework is what Hemingway and Maclagan (2004:34) call the "locus of responsibility". And by this, they mean if the corporate social responsibility practice in question could be said to be primarily driven by corporate or individual interests – that is whether they reflect organisational level and managerialist views of stakeholding, respectively. This thesis adopts these theoretical dimensions, which the authors conclude "... point towards a framework for analysis of corporate social responsibility" (p.34). Given that stakeholder theory has for a long time focused on micro-level theorising, a large number of the literature on corporate social responsibility has also been at this micro-level[8]. A couple of examples are highlighted below as typical of this literature.

2.5.1.1: Managerialist views of corporate social responsibility

The corporate social responsibility literature is dotted with accounts emphasising the role of individual actors in promoting (or inhibiting) corporate social responsibility practices in organisations. These cases tend to draw inspiration from Giddens (1984)'s structuration theory that attributes equivalent importance to both agency and structure in understanding social change – which could be extended to understanding firm behaviour. In such instances, powerful personalities within organisations are constructed as moral change agents who leverage their legitimacy and personal values to sway organisation level agenda and actions (Visser, 2007). CEOs and business leaders are often considered to be such personalities (Agle, et al., 1999), although Hemmingway (2005) has argued that this form of 'corporate social entrepreneurship' could "...operate at a *variety of levels* within the organization: from manual workers or clerical staff to junior management through to directors. They may not *necessarily* be the most senior executives at the top of the organizational hierarchy setting the moral tone of the corporation" (p. 236, emphasis in original). This exhibition of managerial or

[8] It is only recently that corporate social responsibility theorisation is attempting to incorporate macro-theorisation – e.g. Matten and Moon (2007), Maignan and Ferrell (2001), which this thesis will cover in subsequent sections.

employee heroism is well documented in the corporate greening (e.g. Harris and Crane, 2002; Fineman and Clarke, 1996; Walley and Stubbs, 1999; Crane, 2000a,b, 2001) and ethical leadership literatures (e.g. Dukerich et al., 1990; Sivanathan and Fekken, 2002; Sims and Brinkman, 2002). And a key theme central to these is the emphasis they place on the centrality of the 'manager' in shaping firm behaviour, often at the expense (under-emphasis) of the institutional influences.

2.5.1.2: Organisational views of corporate social responsibility

Carroll, through his numerous works, is one of the major figures that have contributed significantly to shaping the organisational level corporate social responsibility agenda since the late last century. Standing out amongst his works is his classic on the pyramid metaphor of corporate social responsibility (Carroll, 1991), which he orchestrated recently (Carroll, 2004). In these works, Carroll argued that corporate social responsibility is made up of the following components in a bottom-up order: (1) economic responsibility – 'be profitable' (2) legal responsibility – 'obey the law' (3) ethical responsibility – 'be ethical' (4) philanthropic responsibility –'be a good global corporate citizen'. Much of the corporate social responsibility literature and practices have been greatly influenced by Carroll's typology of corporate social responsibility.

In line with this organisational level theorising, Lantos (2001) identified the following strands of corporate social responsibility: (a) ethical corporate social responsibility, (b) altruistic corporate social responsibility and (c) strategic corporate social responsibility. According to him, ethical corporate social responsibility is a firm's mandatory fulfilment of economic, legal and ethical responsibilities. It is akin to the first three components of Carroll's typology. Altruistic corporate social responsibility is the same as philanthropic responsibility of Carroll's typology but differed from it in the sense that Lantos (2001) argued that it would only be possible for private firms to be philanthropic and irresponsibility on the part of public corporations, since public corporations do not have the rights to use the funds of shareholders (who might also be involved in private philanthropy) for public philanthropy. Non-instrumental corporate social responsibility practices transcend (and often defy) rational economic principles underlying most organisational decisions (Korhonen, 2002) and are, thus, informed and governed by trans-material *ratio* of emotion (Fineman, 1996, 2001). Finally, strategic corporate social responsibility is '...good works that are also good for the business'. Lantos (2001), therefore, proposes that ethical corporate social responsibility, grounded in the concept of ethical duties and responsibilities, is mandatory, concludes that strategic corporate social responsibility is good for business and society; and advises that marketing take a lead role in strategic corporate social responsibility activities.

This is not an entirely new venture. A number of scholars (e.g. Burke and Logsdon, 1996; Zairi and Peters, 2002; Greening and Turban, 2000; Moir, 2001; Maignan and Ferrell, 2001) have advocated for corporate social responsibility to be solely used to support business objectives, but they are still in the minority camp. Drawing from concepts and practices within strategy, as a management domain, Burke and Logsdon (1996), for instance, argued that the probable contributions of corporate social responsibility activities to value creation could be assessed from the following dimensions (pp. 496-499):

- Centrality – a measure of the closeness of fit between a corporate social responsibility policy or programme and the firm's mission and objectives
- Specificity – the firm's ability to capture or internalize the benefits of a corporate social responsibility programme, rather than simply creating collective goods which can be shared by others in the industry, community or society at large
- Proactivity – the degree to which corporate social responsibility activities are planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions[9]
- Voluntarism – the scope of discretionary decision-making by the firm and the absence of externally imposed compliance requirements
- Visibility – the observability of a business activity and the firm's ability to gain recognition from internal and external stakeholders.

[9] An example of proactivity in the CSR context, according to Burke and Logdson (1996), is a manufacturer monitoring emerging social trends and regulatory initiatives regarding pollution control (p. 498)

The visibility dimension of value creation through corporate social responsibility lends credence to the importance of pursuit of positive corporate reputation, which has been acknowledged in both theory and practice (Swift, 2001). According to Roberts and Dowling (2002) good corporate reputations are critical not only because of their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult. In a similar vein, good corporate reputation has been argued to attract good job applicants (Greening and Turban, 2000; Maignan and Ferrell, 2001).

In what has become a classic, Baron (1995) proposed that robust corporate strategies should incorporate elements of the market and non-market environments, respectively. According to Baron (1995:47), "...the market environment includes those interactions between the firm and other parties that are intermediated by markers or private agreements. These interactions typically are voluntary and involve economic transactions and the exchange of property". On the other hand, the non-market environment is characterised by interactions that are "...intermediated by the public, stakeholders, government, the media, and public institutions"; and these interactions may be voluntary, such as when the firm adopts a policy of developing relationships with government officials, or involuntary when government regulates an activity or activist groups organise a boycott of a firm's product. Going further, Baron (1995:48) outlined the following as the major components of the non-market environment: issues, institutions, interests, and information. The non-market strategies address issues, by seeking to influence institutions (such as regulatory bodies) and interests (e.g. activists, individuals and groups) that drive these issues. The non-market strategies, also, seek to ascertain the information available to these different drivers through environmental scanning.

2.6: Influences of micro-level theorisation of stakeholding on corporate accountability

The stakeholder perspective to organising and managing firms is one of the major management paradigm shifts in the late last century. The theory, in its present form traceable to Freeman (1984:246), broadly and loosely defines stakeholders as "…those groups and individuals who can affect, or are affected by the achievement of an organization's purpose" – for example shareholders, employees, suppliers, government, competitors, local communities and the environment. One of the popular propositions of the stakeholder theory is the view that firms exist at the nexus of series of interdependent relationships with groups that can affect or are affected by them (Crane and Livesey, 2003). Given the infinite network of relationships a firm could be entangled in, this proposition, however, poses some fundamental managerial challenges such as defining the boundaries of stakeholder-ship and effectively managing these relationships that often come with conflicting interests and goals. This challenge tends to polarise views on stakeholder approach to management, into three broad camps: descriptive, normative and instrumental (Donaldson and Preston, 1995). The descriptive paradigm explains who a stakeholder is, the normative view prescribes who a stakeholder ought to be, while the instrumental view highlights the consequences of considering a stakeholder or not and suggests that stakeholders could be prioritised based on their salience (importance) (Freeman, 1999:233).

Freeman (1999) acknowledged that his 1984 stakeholder theory is instrumental and pragmatic. As such, he suggested that: "...if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes" (234). In addition, it is necessary for an effective firm to manage the relationships that are important, irrespective of the purpose of the firm. Extending the instrumental view, Mitchell et al. (1997) theorised that stakeholder salience is a combination of the following factors: power, legitimacy and urgency. A stakeholder group has power when it can impose its will on the firm, especially when it controls resources needed by the firm (Pfeffer, 1981); while legitimacy implies that stakeholder demands comply with prevailing norms and beliefs. Legitimacy is achieved if patterns of organisational practice are in congruence with the wider social system (Scott 1987; Powell and DiMaggio, 1991). However, power and legitimacy can appear together, giving authority to those who have both (Weber, 1947), but they can also appear independently. Finally, urgency is a concept sustained on two elements: (1) the importance stakeholders accord their own demands; and (2) their sensitivity to how long it takes managers to deal with their demands (Gago and Antolin, 2004). These salient variables according to Mitchell et al. will determine how a firm responds to its stakeholders. Optimal strategic stakeholder management is, therefore, dependent on the ability of firms to identify and be responsive to salient stakeholders within their business environment.

Stakeholder salience is a precursor to stakeholder accountability and both are interdependent. Roberts and Scapens (1985:447) define accountability as "the giving and demanding of reasons for conduct". It is an art of "...making the invisible visible" (Munro, 1996:5) through the "...provision of information ... where the one accountable, explains or justifies actions to the one to whom the account is owed" (Gray et al., 1997). Traditionally, under the principal-agent dispensation, firms have limited their accountability to shareholders as economic and legal owners of the firm. Friedman (1962) reinforced this form of accountability when he argued that the primary responsibility of firms is to pursue profits within the limits of the law. The economic logic of accountability leans heavily on what Korhonen (2002) called the 'dominant social paradigm' (DSP) of profit maximization for the owners of the firm. The DSP emphasizes such issues as competitive advantage, cost minimization, equilibrium, market efficiency, optimal returns on investments (including labour) and market dominance. Shareholder accountability is the bedrock of modern capitalism. Adherence to this culture of capitalism often comes with its rewards in terms of increase in shareholders wealth and firm growth; although it sometimes leads to market failures (i.e. monopolies, pollutions, et cetera). Stakeholder accountability has emerged, towards the end of the last century, as complement to shareholder accountability (Gray et al., 1988; Gray, 2002; Owen et al., 2000).

Drawing from the works of other academics (e.g. Gray et al. 1987; Williams 1987; Roberts and Scapens, 1985), Swift (2001:17) broadly describes accountability as "... the requirement or duty to provide an account or justification for one's actions to whomever one is answerable" and narrowly as "... being pertinent to contractual arrangements only,... where accountability is not contractually bound there can be no act of accountability". Borrowing from a later work of Gray et al (1997), Swift notes that "... essentially accountability is about the provision of information between two parties where the one is accountable, explains or justifies actions to the one to whom the account is owed". This form of accountability can easily be glimpsed from that characteristic of principal-agent relationship, which is central to the firm as an economic and legal entity. But no matter the side taken, and however defined, one factor that is central to the notion of accountability is the *duty to account*, which connotes institution of rights and as such, should hurt (Owen et al., 2000). In the same line of thought, Gray et al. (1988) sought to explain the firm's accountability to the wider society as inherent in a social contract between the society and the business – the idea that business derives its existence from the society. This accountability inherent in the form of social contract is enforced through the market forces that punish or reward corporate behaviour (Swift, 2001; Donaldson and Preston, 1995). Korten (2004) argues that the market by necessity needs information to be effective – as such, corporations should be demanded to produce the necessary and complete information required by the market to punish or reward – this will constitute accountability to the market, which can not be achieved through self regulation. Accountability, therefore, in turn connotes some level of transparency; and transparency carries with it some risks of disclosure that could hurt (Gray, 2002; Owen et al., 2000).

This perspective of stakeholder accountability seems to be driving the current surge of interests in social reports. Interest in and demand for stakeholder accountability has been on the increase. The 1970s enjoyed a boom in social accounting which disappeared in the 1980s and has reappeared since the 1990s. In addition, the accounting and governance travesties of such firms as Enron and WorldCom in the USA and Parmalat in Italy, to mention but a few have made such demands for corporate accountability and social reports even more pertinent. Within these social reports, firms aim to signal accountability towards, and willingness to be held accountable by, their different stakeholder groups on such issues as their environmental footprints, poverty reduction, labour and employment conditions, gender and equality, community and consumer welfare, corporate governance and ethics. It is also argued that firms use corporate social reports as subtle strategies to re-affirm their legitimacy (Brown and Deegan, 1998; Neu et al., 1998), and appeal to salient stakeholders (Gray, 2002; Hooghiemstra, 2000).

Unfortunately, the target of social reports has been one of the vexed issues about these reports in recent times. Unlike corporate annual reports that are specifically addressed to shareholders, corporate social reports often start with such diffused salutations as "Dear Readers" or "Dear Stakeholders". This diffused and non-specific addressee approach tends to demean social reports as mere 'talks to all, but to none'. Some critics have even gone as far as describing social reports as artefacts of managerial capture (Owen et al., 2002) "...used by a privileged part of the socio-economic-political system (capitalist elites) to protect and advance their sectional interests" (Unerman, 2003:429). This line of argument, which has dominated stakeholder accountability thinking for a long time now, tends to assume that managerial actions are largely rational and thus discretional. It is within this discretional rationality, it is argued, that managers as representatives of firms exercise power and dominion over different stakeholder groups.

Over the years, stakeholder management discourse and practice has also been anchored on managerial discretion. In other words, stakeholders that receive priority from management will be those whom managers perceive as highly salient (Agle et al., 1999). This managerial elitism has, in the main, continued to dominate stakeholder management discourse, with little or no emphasis placed on the contextual embeddedness of managerial thoughts and actions in stakeholder management practice and discourse. This situation, which is arguably a manifestation of the rational choice school of thought, could be, borrowing from Granovetter (1985), described as an under-socialised account of stakeholder management practice. Theorists have recently begun to challenge this managerialist view and to interpret firms' interactions with their stakeholder from a much broader perspective that incorporates institutional, cultural and societal contexts, into the debate.

2.7: Summary of micro-level theorisations of corporate stakeholding practice

All the examples presented above tend to suggest that corporate social responsibility agenda and actions are largely subject to firms' strategic choices. This suggestion rubs-off from organisational level theorisation of corporate stakeholding practice. Notwithstanding, the view that firms exist at the nexus of series of interdependent relationships with groups that can affect or are affected by them (Crane and Livesey, 2003; Freeman, 1984) poses some fundamental managerial challenges such as defining the boundaries of stakeholder-ship and effectively managing these relationships that often come with conflicting interests and goals. However, central to this stakeholder approach is the principle of who or what really counts (Freeman, 1994). That is, who (or what) are the stakeholders of the firm? And to whom (or what) do managers pay attention? (Mitchell et al., 1997). These come with a burden of defining the boundaries of stakeholder-ship, and establishing appropriate mechanisms for stakeholder consultation and involvement in strategic development. They, as well, constitute great challenges for managers and decision-makers, which ultimately impact on corporate social responsibility agenda setting and actions – both at the managerial and organisational levels. It is the argument of this research study that in addition to managerial and organisational level influences, corporate stakeholding practice, as a precursor to corporate social responsibility, governance and accountability, is equally constrained and enabled by the institutional contexts in which it is enacted. Unfortunately, this institutional dimension to accounting for corporate stakeholding practices is marginalised (or under-emphasised) in the extant corporate social responsibility literature.

2.8: Towards a 'new paradigm': theorising corporate stakeholder salience from an institutionalist perspective

Despite the under-emphasis of institutional embeddedness of corporate stakeholding practices, there is an emerging literature on variations of corporate social responsibility and governance across national institutional contexts (e.g. Chapple and Moon, 2004; Amaeshi et al., 2006; Aguilera and Jackson, 2003). Following its normative underpinnings, for instance, it is expected that stakeholder salience will differ according to industry and country since ethics have been found to differ along those lines, as well. In their large-scale survey among senior executives in the U.S., the U.K., Germany and Austria, Schlegelmilch and Robertson (1995), found that both country and industry have strong influence on perception of ethical issues (and that firm size does not). In another study, Thelen and Zhuplev (2001) present a comparative analysis of attitudes between Russian and U.S. undergraduate students on ethical issues in managing Russian small firms engaged in business transactions with U.S. firms. Based on the real life situations, Russian and American respondents were asked to select decision alternatives dealing with ethical dilemmas. Significant differences were found between the two groups. Russians do not recognize significant differences between various alternatives, despite the disparity in the severity of these alternatives for resolving business problems. Russians, compared to Americans, tend to prefer more forceful decision alternatives resorting to business practices that would be considered unethical in the U.S. This is attributable to differences in the countries' history, political, legal, and cultural environment. The transitional nature of the Russian economy affects decision-making and business ethics.

Robertson et al (2002) also queried 210 financial services managers from Australia, Chile, Ecuador and the United States about their ethical beliefs when faced with four diverse dilemmas. In addition, the situational context was altered so the respondent viewed each dilemma from a top management position and from a position of economic hardship. Results suggest a complex interaction of situation, culture and issue when individuals make ethical judgments. Specifically, Chileans were found to have different beliefs about sex discrimination and child labour dilemmas when compared to their colleagues from the other three nations. Chileans and Australians also disagreed on the bribery dilemma. Anglo managers were more likely than Latin American managers to change their ethical responses when the situation was altered. In a situation like this where interpretations and manifestations of ethical beliefs are determined by cultural differences, what should be the criteria for making ethical decisions? Robertson et al (2002) suggested that multinational firms interested in maintaining healthy ethical climates, should consider adapting culturally contingent ethical guidelines, or policies to the local customs. If this suggestion should be adhered to, what happens in a situation where board members from different cultures and beliefs need to take ethical decisions that are not location specific?

Hooghiemstra and van Manen's (2002) research among 2500 of the largest companies in The Netherlands reveals the growing importance of social and ethical issues in the corporate governance debate. Such issues can place non-executive directors in a dilemma when his point of view is neither shared by the management board nor by the other supervisory board members: Should he resign or should he try to influence the others of his opinion? That is, in terms of Hirschman's (1970) classical work, should he 'exit' or 'voice'. The paper reports the findings regarding non-executive directors' choice based upon a qualitative and a quantitative study conducted among almost 300 Dutch supervisory directors. Regarding bribing civil servants, non-executives seem to make a distinction based upon location. While a bribe in a third world country seemed acceptable to approximately half of the responding outside directors, it was considered unacceptable (and would lead to repercussions) in the case where the bribe involved either a Dutch civil servant or another company's employee. Indeed, in the qualitative study many of the non-executive directors remarked that bribing people is sometimes necessary to do business, although it is not a good thing to do. Furthermore, they also commented that ethical behaviour is a dependent variable and has its limits. For example, whereas bribing was considered unacceptable only in the Netherlands, non-executive directors did not make a distinction based upon location in case of environmental pollution – the same rules applied irrespective of whether it concerned a third world country or The Netherlands.

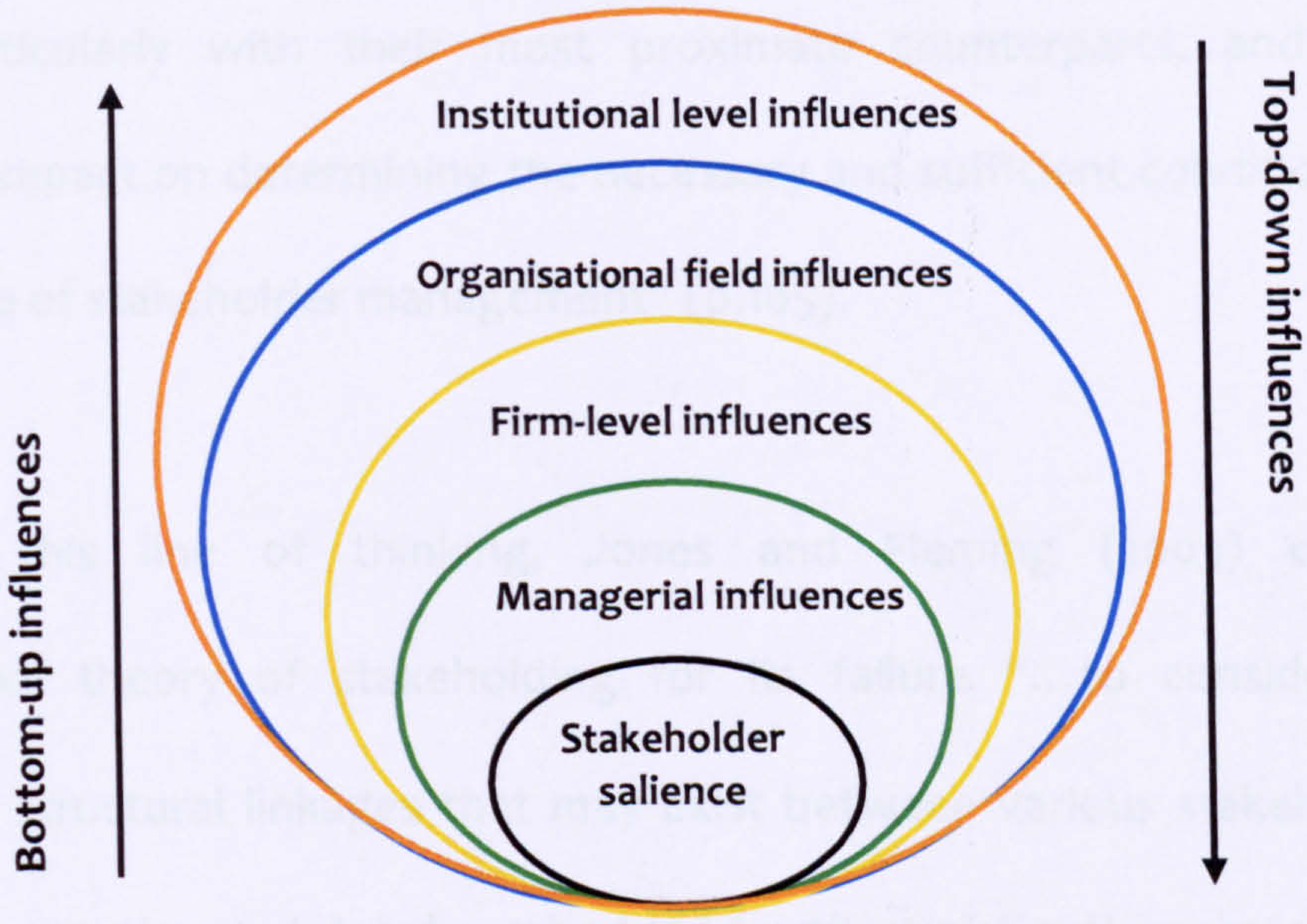
Institutionalists (e.g. Scott and Meyer, 1983, and Powell and DiMaggio, 1991, Whitley, 1992, 1998) argue that organisations are products of their external environments, which '...are characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy...' (Scott and Meyer 1983: 149). In this case, Kondra and Hinings (1998) state that conformity to norms is facilitated by normative, coercive, and mimetic processes (DiMaggio and Powell 1983) and compliance may be for pragmatic reasons or due to paradigm stasis (Oliver 1991). Continuing, Kondra and Hinings argue that organisations within an organisational field may conform to these rules and requirements, not necessarily for reasons of efficiency, but rather for increasing their legitimacy, resources, and survival capabilities (DiMaggio and Powell 1983; Meyer and Rowan 1977); and these organisations that conform to institutional norms become 'optimal', if not efficient, in the sense that they increase their survival capabilities by conforming to those norms, thereby minimising the risk of organizational death (Baum and Oliver 1991). As a result, values and beliefs external to the organisation play a significant role in determining organisational norms.

The same line of thought is shared by culturalists; necessitating Carroll and Gannon (1997) to argue that the ethical orientation of a particular culture may have a significant impact on internal organisational activities such as human resource management. Similarly, cultures may not extend their beliefs concerning ethical conduct to individuals deemed members of an out-group (Katzenstein, 1989; Pratt, 1991). However, whether or not ethics are "relative" or contingent on national culture is indeed controversial. Donaldson and Dunfee (1994), for example, present a convincing argument for a super-ordinate set of normative ethical principles. Yet, multinational organisations often confront serious human resource management issues when operating in cultures with values different from their own (Carroll & Gannon, 1997). Firms that fail to consider the values and ethics of their host culture by appropriately aligning their human resource management policies may be perceived of as opportunistic and potentially unethical. Given this scenario, it is possible for firms to display different ethical orientations in relation to different target audiences (external and internal).

2.8.1: Research Gaps in the Literature

In summary, then, if stakeholder salience, as a matter of managerial perceptions, is a reality constructed over time rather than an objective reality (Agle et al., 1999:508-509), then it could be argued that these constructions are likely to draw from (or are functions of) the sedimented broader social constructions within the institutional contexts in which the managerial perceptions are crafted and enacted. Moreover, legitimacy is a function of social context (Suchman, 1995) and "...bounded by cultural norms and behaviour" (Agle et al., 1999:509). Therefore, following discussions so far, it could be argued that corporate stakeholder salience patterns are not only shaped by managerial influences but are also implicated in series of multilevel influences varying between micro and macro variables as schematically shown in Figure 2.5 below.

Figure 2-0-5: Multi-level influences on corporate stakeholder salience



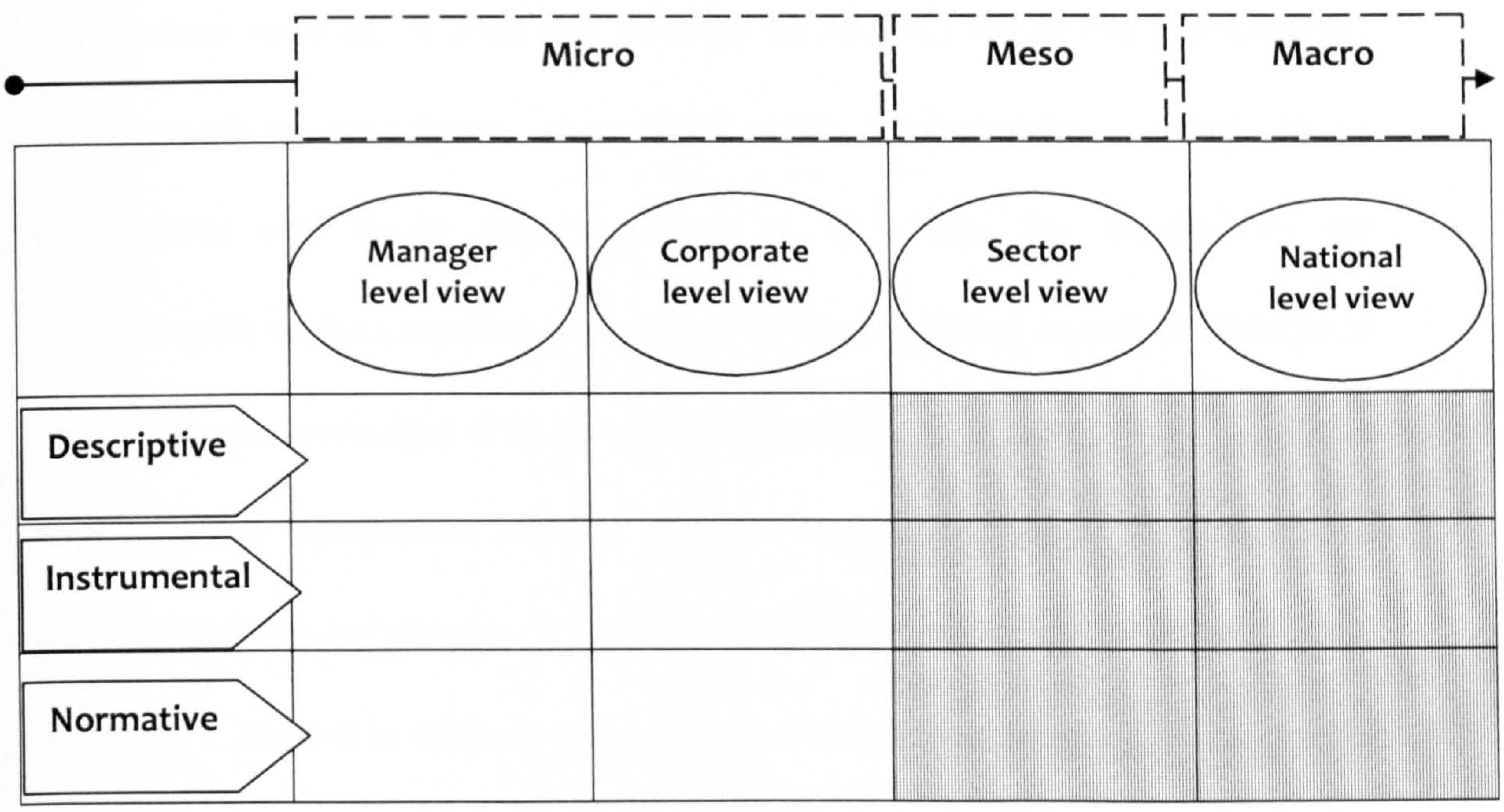
These influences, which could be bottom-up - e.g. through some form of institutional entrepreneurship[10] (Suddaby and Lawrence, 2007; Crouch, 2005) or top-down – e.g. through government/trans-national influences (Djelic and

[10] Institutional entrepreneurs are "... organized actors who skilfully use institutional logics to create or change institutions, in order to realize an interest that they value highly" (Leca and Naccache, 2006:634). Further discussions on institutional entrepreneurship and the link between micro and macro institutionalisation are presented later on in chapter 8 of this thesis.

Quack, 2008) interact to shape corporate stakeholder salience practices. In this regard, these interactions could either enable or constrain corporate stakeholding activities. In line with Jones (1999), the intention here is neither to imply that each of these levels exerts equal influences on determining corporate stakeholder salience patterns nor is it to unpack the intensity of each of these influences, but to "... stress the inter-relatedness of these levels, particularly with their most proximate counterparts, and their combined impact on determining the necessary and sufficient conditions for the practice of stakeholder management" (p.165).

Following this line of thinking, Jones and Fleming (2003) criticise conventional theory of stakeholding for its failure "...to consider the underlying structural linkages that may exist between various stakeholders along with complex and deeply embedded (institutionalized) processes that constitute stakeholders' materiality, identity, and even forms of rationality" (p.433). The literature in the main, surprisingly, takes these interactions for granted and assumes that managers and firms can easily select or deselect stakeholders. Contrary to this common view are situations where these interactions constrain corporate stakeholding and ultimately, corporate social responsibility agenda. A good example of the latter is the current European Union (EU) regulation on procurement, which constrains the EU Utilities from enforcing green procurement policies and practices across their supply-chain (see Arrowsmith, 2000, 2006 for details). This leaves a gap in the literature, which needs to be filled. The table below helps to summarise where the literature on stakeholding is and show where the gaps are (the shades).

Figure 2-6: Multi-level dimensions of studying corporate stakeholder salience



This thesis will focus on contributing to the literature on the meso and macro level influences on stakeholder salience. It is recognised that such disciplines as politics, economics and sociology have robust theories that deal with firm behaviours at these levels. Some of these include, but not limited to, the following: systems theory (Ackoff and Churchman, 1947; Pfeffer and Salancik, 1978), organizational theory (Katz and Kahn, 1966), national business systems, neo-institutionalism, varieties of capitalism, political economies, corporate governance frameworks and recently the explicit-implicit models

(Matten and Moon, 2007). These approaches emphasize the external environment as a significant explanatory factor of the organization of the firm (Pfeffer and Salancik, 1978).

To make the study manageable within available resources to the researcher, the study will adopt a descriptive paradigmatic approach to corporate stakeholder salience. It does not attempt to address either the instrumental or normative paradigms associated with stakeholding along these dimensions and levels (see Aguilera et al., 2007 for discussions on instrumental and normative paradigms of stakeholding across institutional levels). It acknowledges that possible limitations of this approach could be that: "...the collectivist nature of the approach makes it difficult to incorporate the autonomy of the firm". "If firms have no autonomy", it is argued, "...then it is difficult to understand either the meaning of corporate strategy or the role of management" (Freeman and McVea, 2005:191). Second, "...there was little attempt to deal with the choices and decisions that managers make, nor with prescriptive attempts to set new directions for the organization" (Freeman and McVea, 2005:191). While recognising these possible limitations, this study does not also claim to attempt to unpack the social processes involved in the interactions across the multilevel influences on corporate stakeholding. Although this could be interesting, it lies outside the scope of this research project. It is also thought that such theories as the structurationism (Giddens, 1984), where the agency-structure duality becomes a useful lens to understand the interaction between micro and macro levels could be of help in understanding corporate stakeholder salience as a product of the interactions between contexts (i.e. organisational, sector and country levels) and managerial choices. The thesis primarily focuses on identifying possible patterns of corporate stakeholder salience differences or similarities that could arise at both the sector and country levels; and leverages comparative business system theories of new institutionalism in doing this.

2.9: Chapter Summary

The chapter has explored the concept and practice of corporate stakeholding, together with its micro and macro level theorisations. It problematises corporate stakeholding practices and theorisations as a precursor to contemporary pursuits of corporate social responsibility, governance and accountability. It also highlights the predominance of the managerialist view on the practice and theorisation of corporate stakeholding, which appears to under-emphasise the institutional influences on corporate stakeholding practice. Drawing insights from emergent comparative studies of business practices (particularly those on business ethics, corporate social responsibility and corporate governance) across national borders, the chapter identifies possible research gaps in the literature – albeit at the macro level – that could complement the micro-level managerialist accounts of corporate stakeholding practices. The goal of this chapter is to re-introduce the institutionalist perspective to the understanding and interpretation of firms' behaviours; and, more so, to emphasise the relevance of this perspective to the practice of corporate stakeholding, which is hereby theorised as a corporate practice. The next chapter presents the core research agenda of this study.

CHAPTER 3: RESEARCH PROBLÉMATIQUE: UNCOVERING THE INSTITUTIONAL EMBEDDEDNESS OF CORPORATE STAKEHOLDING

3.1: Tone Setting

Following from the previous chapter, this thesis attempts to advance the literature on corporate stakeholder salience pattern beyond managerial and organisational capture, by examining how corporate stakeholder salience patterns interact with and reflect the characteristics of the institutional contexts in which they are embedded and enacted. Following the theorisation of corporate stakeholder salience as a precursor to corporate social responsibility, corporate governance and accountability, amongst others, it is anticipated that an understanding of the interaction between institutional contexts and corporate stakeholder salience patterns will help in better understanding variations and stability of corporate social responsibility, corporate governance and accountability practices across national business contexts. The chapter starts with discussions on new institutionalism, comparative business systems and varieties of capitalism analytical frameworks. It leverages globalization theory to query the divergence and or convergence of varieties of capitalism typologies using the stakeholder salience construct as a proxy. It then articulates and states the main research questions of this research study within the above stated analytical frameworks; and finally highlights the role of corporate social reports, as series of discourses, in addressing the stated research questions. The emphasis on corporate social reporting is especially to position corporate social reporting as the mediating artefact at the intersection of corporate social responsibility, corporate stakeholding and accountability.

3.2: Dimensions and meanings of 'institutions' – new institutionalist perspectives

Contrary to the under-socialized view of managerial discretional rationality that has dominated the broad management and business literature, new waves of interpreting corporate governance and stake-holding, which have been on the increase, have drawn insights from neo-institutionalism (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) and comparative business systems (e.g. Varieties of Capitalism [Hall and Soskice, 2001] and National Business Systems [Whitley, 1998]) perspectives. Despite their subtle differences (Tempel and Walgenbach, 2007; Geppert et al., 2006) proponents of neo-institutionalism and comparative business systems argue that managerial thoughts and actions are not only outcomes of managerial rationality, but are both enabled and constrained by the contextual attributes of the institutional environments in which they are crafted and executed. These contextual attributes could be in form of social norms, beliefs, practices, routines, networks, regulations and other institutional characteristics and influences. In other words, managerial actions and decisions are socially embedded (Granovetter, 1985). Following this understanding, corporate stakeholder accountability becomes a negotiated outcome of interactions between managerial discretion and institutional contexts; albeit the institutional dimension appears to be under-emphasised in the extant social accounting and corporate social responsibility literatures.

Institutions have been 'objects' of academic debates since the late 1960s primarily as a re-visitation to the understanding of the contextual embeddedness of social activities (Granovetter, 1985). Broadly speaking, Douglass North describes institutions as 'the rules of the game' (North, 1990, 1991). In a much more detailed fashion, Scott (1995:48/49) defines institutions as "...multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources... [which are] ... composed of cultured-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life.... transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts ... [and].... operating at multiple levels of jurisdiction, from the world system to localised interpersonal relationships". In other words, institutions can be conceived of as coordinating and or governance mechanisms (Grandori, 1997; 1996) with the capacity to constrain and or enable actions at multiple levels (Grandori and Soda, 1995; Crouch, 2005; Crouch et al., forthcoming; Djelic and Quack, 2008; Deeg and Jackson, 2006, 2007). Whilst both views of institutions could be said to be very broad in their descriptions, an interesting point raised by Scott (1995) is the manifestations and operations of institutions at multiple levels of jurisdiction. It is this layering of institutions and their interactions that have continued to polarise the academic community of practice on the study of institutions.

At the organisational field level, studies of institutionalization, de-institutionalization and re-institutionalization (Ahmadjian & Robinson, 2001; Oliver, 1991, 1992) are regularly featured in contemporary management studies and organisational theory. The last couple of decades, for instance, have witnessed the blossoming of neo-institutionalism and structurationism, in particular. Neo-institutionalism, places emphasis on the study of organisational isomorphism, persistence and stability (Hirsch and Lounsbury, 1997; DiMaggio and Powell, 1991) and seeks to demonstrate these across contexts and time, while structurationism attempts to restore the equivalence in significance attributed to both structure and agency in influencing either the stasis or dynamics of an organisational field (Giddens, 1984; Lounsbury, 2002; Kaplan and Henderson, 2005). Major examples of this research orientation, in which firms and industry variables, are primary objects of study are mainly North American tradition and include such works as; DiMaggio and Powell, (1983); Granovetter, (1985); Scott (1987); Powell and DiMaggio (1991); etc. At this level, the interest is mainly to account for institutional isomorphism and recently on institutional change. It also focuses attention on intra-organisational inertia and dynamics (Feldman and Pentland, 2003) as well as changes in practices both at the firm and sectoral levels (Holm, 1995; Hoffman and Ventresca, 1999; Hoffman, 2001; Suddaby, Cooper and Greenwood, 2007; Munir and Phillips, 2005).

Deriving mainly from the influence of European political economy and economic sociology is another stream of literature that goes beyond the organisational field level to account for national differences and embeddedness of economic actors. This stream of literature pays more attention to variations in national governance of economic activities and the level of integration of national systems to foster effectiveness at both the organisational field and firm levels. Such researches include those on varieties of capitalism (Hall and Soskice, 2001); national business systems (Whitley, 1998) and national systems of innovation (Lundvall, 1992; Nelson, 1993). However, this stream of research emphasises the role of private actors over and above the State, which is a marked departure from the traditional view that the State is a major actor in the distribution and re-distribution of economic gains and welfare in the national contexts (Schmidt, 2002, 2003). Herein, the level of State participation in management of the economy could be placed on a continuum running from high involvement (co-ordinated markets) to passive involvement (liberal economies). It is assumed that where the State is passive, the market system is strong and therefore has higher potential of yielding prosperous outcomes. However, there have been calls for the comeback of the State in economic coordination. The argument being that the State should not continue to play a passive role but should be active in setting the rules of the game. With the growth in strength of trans-national corporations (TNCs) and the tendency towards misuse of such powers and resources, the thinking nowadays is that market governance through self-governance of TNCs may not be completely adequate to address negative externalities arising from over dependence on the market system (Crouch, 2006). The State, it is argued plays a major role in internalisation of social costs (in the form of externalities) arising from market transactions.

This line of argument de-emphasises the traditional divide between the roles of the state and the market in economic governance, and suggests a form of complementarity between the two, instead. With the ever expanding governance space spurred by globalisation, it is becoming obvious that nation States are unable to unilaterally ensure appropriate governance of economic activities, especially those driven by trans-national actors (Aguilera et al., 2007). Therefore, different nation states are continuously forging alliances and collaborations to ensure effective governance and sustained economic growth. A clear example of such trans-national governance entities include the World Trade Organisation (WTO), NAFTA, United Nations, the World Bank, the European Union and other multinational institutions. Some of these governance infrastructures are championed by the nation States while others are driven by private interests (e.g. Extractive Industries Transparency Initiatives[11]).

This section highlights some of the multiple dimensions and meanings brought to the concept of institution by the new institutionalism movement. However, the interactions between the different layers of institutions, on one hand, and the influences of globalisation on national institutions, on the other, are still major issues of debate in both academic and professional literatures. In addition, opinions tend to converge and or diverge on these issues depending on schools of thought and background narratives supporting these opinions (Phillips et al., 2004) – which lie beyond the scope of this study. The next section will discuss the varieties of capitalism, as an aspect of new institutionalism, and highlight the ongoing debates on the impacts of globalisation on national institutional contexts. These discussions are necessary as they constitute building blocks to the research problematique of this study.

[11] The Extractive Industries Transparency Initiative (EITI) supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas, and mining. The Initiative works to build multi-stakeholder partnerships in developing countries in order to increase the accountability of governments (http://www.eitransparency.org/section/abouteiti)

3.2.1: Varieties of Capitalism and Globalisation

As an offshoot of institutional theory, the Varieties of Capitalism (VoC) model (Hall and Soskice, 2001) of comparative business systems, for instance, offers an analytical framework towards understanding the political economy of firm behaviour and performance. It explains variations and change within capitalist systems through its broad dichotomization of institutional contexts into Coordinated Market Economies (CMEs) and Liberal Market Economies (LMEs). This line of thinking is championed by such scholars as Hall and Soskice (2001), Vitols (2001), Hancke et al. (2007), Amable (2004), Whitley (1998), Hollingsworth and Boyer (1997) and others. The central theme common to these scholars' works is their emphasis on the distinctiveness of national institutional contexts in which firms operate, based on such indices as legal and governance system, sources of finance and skills, training systems and the influences of other social agents like unions and regulatory authorities.

However, it is not uncommon in comparative capitalism literature to stylise coordinated market economies as stakeholder oriented and liberal market economies as shareholder oriented (Dore, 2000). The CME is theorised to be society oriented and firms within it thus focus on meeting broad range of stakeholders' needs (e.g. employees, suppliers, shareholders, etc), whereas the LME is market oriented and focuses more on meeting shareholders needs than those of any other stakeholder groups (Dore, 2000; Amable, 2003; Hall and Soskice, 2001; Hancke et al., 2007; Vitols, 2001). Japan and Germany are usually typified as examples of CME whereas UK and the USA are examples of LME (Whitley, 1998). In this regard, it is argued that different national and institutional contexts provide some sort of comparative advantages to firms within them. And "[T]he architecture of 'comparative advantage' is portrayed in terms of key institutional complementarities – between labour relations and corporate governance, labour relations and the national training system, and corporate governance and inter-firm relations. These relationships determine the degree to which a political economy is, or is not, 'coordinated'" (Hancke et al., 2007:5). For example, the power, legitimacy and urgency of a unionised work group to impact on the activities of a firm would, for instance, depend on the complementarity between the legal institutions and societal expectations in which such unions are embedded in. Following this line of thinking, for example, corporate governance systems could be therefore considered as complementary 'coalitions between investors, employees and management' (Jackson, 2005). Furthering their distinction of CMEs from LMEs, Hancke et al. (2007:5) state that: "The 'coordinated market economy' (CME) is characterized by non-market relations, collaboration, credible commitments, and the 'deliberative calculation' of firms. The essence of its 'liberal market economy' (LME) antithesis is one of arm's length, competitive relations, formal contracting, and supply-and-demand prince signalling".

Although the varieties of capitalism model is not a 'unified theory of everything' (Hancke et al., 2007:8) it has been used as a theoretical lens to study such themes as innovation (Crouch et al., forthcoming), corporate governance (Aguilera and Jackson, 2003; Goyer, 2007; Borsch, 2007), flows of financial investments (Goyer, 2006), macroeconomics (Soskice, 2007), corporate strategy (Lehrer, 2001), social protection and the formation of skills (Estevez-Abe et al., 2001), patterns of labour market (Wood, 2001) and standardization (Tate, 2001), globalisation (Crouch and Farrell, 2004; Martin, 2005; Panitch and Gindin, 2005; Pontusson, 2005) and recently on corporate social responsibility (Matten and Moon, forthcoming). There is also an ongoing attempt to apply the framework to understanding corporate stakeholder salience (Chapple and Gond, 2006), to mention but a few. Notwithstanding, the varieties of capitalism model is in competition with other explanations of firm behaviour and performance, especially those anchored on the arguable convergent pressures of institutional isomorphism induced by globalisation – albeit with some resistance. As such, this research study draws tangentially from the globalisation debate to unpack the influences of national institutional contexts, on one hand as predicted by varieties of capitalism, and the trans-national pressures of globalisation on the other, on corporate stakeholding practices.

Globalisation is one of such terminologies that appear 'easily and commonly' understood, but difficult to encapsulate in a definition – thereby plunging the concept into a 'definitional void' (Clark and Knowles, 2003). According to Van Der Bly (2005:875), the difficulty in defining the concept of globalization is rooted in three dialectics: globalization-as-a-process vs. globalization-as-a-condition; globalization-as-reality vs. globalization-as-futurology and one-dimensional globalization vs. multi-dimensional globalization. For example, Held et al. (1999: 16) define globalization as 'a process, which embodies a transformation in the spatial organization of social relations and transactions ... generating transcontinental or interregional flows and networks of activity', while Clark and Knowles (2003:368) define it as "[T]he extent to which the economic, political, cultural, social, and other relevant systems of nations are actually integrated into World Systems". A critical view of globalisation suggests that it "...has become part of a powerful political-economic ideology through which capital–labour relationships and relative class power positions are shifted in profound ways" (Swyngedouw, 2004:28).

One of the major assumptions of globalisation is that the world is being run-over by a super-ideologue that seeks to harmonise practices across national borders. And this harmonisation permeates all facets of life and the society – including behaviours and performances of firms. Notwithstanding, the literature on globalisation is simultaneously bombarded and punctuated by contradictory pressures of exclusion and inclusion, divergence and convergence, localisation and transnationalisation – or centralisation and decentralisation – (Jones and Fleming, 2003). Some also see it as a fusion of the global and the local in form of glocalisation without one running over the other, so to speak – what Swyngedouw has described as a "...twin process whereby, firstly, institutional/regulatory arrangements shift from the national scale both upwards to supra-national or global scales and downwards to the scale of the individual body or to local, urban or regional configurations and, secondly, economic activities and inter-firm networks are becoming simultaneously more localised/regionalised and transnational" (Swyngedouw, 2004:25).

Whilst recognising that the broad globalisation research project lies far beyond the scope of this study, one of the major criticisms of the varieties of capitalism model is that it appears not to account for the interactions between global influences and national models (Crouch et al., forthcoming; Crouch and Farrell, 2004; Crouch, 2005; Crouch et al., 2004; Deeg and Jackson, 2006, 2007). In particular, the varieties of capitalism analytical framework has been under strong criticism for its seeming 'simplistic' labelling of national economies. This broad-brush approach has been critiqued for being overly stereotypical and deterministic (Hancke et al., 2007). As such, the varieties of capitalism model, it is argued, is unable to account for differences at the sub-institutional level (i.e. organisational field level), or at best takes such differences for granted. According to these critics, the varieties of capitalism model "...treats nation-states as 'hermetically sealed' and neglects the linkages between them and the forces of convergence and globalization" (Hancke et al, 2007:7). Responding to this criticism, proponents of varieties of capitalism analytical framework offer an alternative explanation that argues that national institutions, adapt to global influences rather than being consumed by them (Whitley, 1999; Hancke et al., 2007; Hall, 2007; Hall and Gingerich, 2004); thereby leading to some form of heterogeneity manifested through local adaptations of world cultural forms (Van Der Bly, 2007:234). One thing that stands out from these iterations of arguments is that the interaction between local and global influences still remains a black-box to be further explored. Extrapolating from these accounts of the influence of global and local institutions, therefore, this research study seeks to explore if and how corporate stakeholding practices are implicated in global-local (i.e. glocal) interactions. In other words, the theorisation of local adaptations of global influences enables this research study to examine to what extent UK and German corporate stakeholding patterns converge based on global influences and or diverge as a result of their different local institutional contexts. And also further examines how these patterns are manifested in different organisational fields across the two national economies.

3.3: Varieties of Capitalism and Globalisation: Any implications for Corporate Stakeholding Practices?

The literature is beginning to emphasise the variations of corporate social responsibility, governance and accountability across national contexts. In line with the socio-economic differences inherent in capitalist systems, for instance, Maignan (2001) conducted a survey comparing French, German, and North American consumers' evaluations of economic, legal, ethical, and philanthropic responsibilities of firms. The study finds that while U.S. consumers value highly corporate economic responsibilities, French and German consumers are most concerned about businesses conforming to legal and ethical standards. As such, Maignan suggests that these findings provide useful guidance for the efficient management of social responsibility initiatives across borders and for further academic inquiries. In a similar study, Langlois and Schlegelmilch (1990) analyse the usage and contents of corporate codes of ethics. Comparison of a sample of 600 large European companies contrasted with findings reported for similar U.S. firms reveals that significantly fewer European than U.S. firms adopted codes of ethics. In addition, the study found that there are striking differences in content between U.S. and European codes of ethics pointing to the existence of a distinctly European approach to codifying ethics. In a much more recent study, through a cross-cultural analysis of communication of corporate social responsibility activities in some US and European firms, Hartman et al. (2007) find that European firms do not value sustainability to the exclusion of financial elements, but instead project sustainability commitments in addition to financial commitments; while US-based firms focus more heavily on financial justifications for their corporate social responsibility activities. In a similar effort, Agle et al. (1999) in their study of USA firms found that different stakeholder groups exhibited different salience based on their perceived power, legitimacy and urgency.

Donaldson and Preston (1995:69) point out that it is worth noting that the extent to which the stakeholder theory is understood to represent a controversial or challenging approach to conventional views varies greatly among market capitalist economies. Furthering this point, they make reference to *The Economist* (1993:52)'s comment that:

> In America, for instance, shareholders have a comparatively big say in the running of the enterprises they own; workers ... have much less influence. In many European countries, shareholders have less say and workers more ... [I]n Japan ... managers have been left alone to run their companies as they see fit – namely for the benefit of employees and of allied companies, as much as for shareholders.

New waves of interpreting corporate governance and social responsibility, which have been on the increase, have also drawn insights from comparative business systems perspectives. Matten and Moon (2007), for instance, use their 'explicit' and 'implicit' model to explain the difference between Continental European and North American versions of corporate social responsibility practice. They suggest that whilst the 'explicit' style characteristic of North American firms' corporate social responsibility is vociferous about its contribution to the society – for example in provision of healthcare, education, employee welfare and other social amenities, the 'implicit' style characteristic of Continental Europe finds it less attractive to report such social provisions as contributions to the society, since these provisions are already taken care of by the national institutions in which they operate in. The UK government's national health care service (the NHS) has been providing free healthcare service to its citizenry since the 1940s and the German system has ensured that employees' welfare gets top priority in organisations through its co-determination approach to corporate governance – albeit, the principle of co-determination has continued to undergo series of modifications and adaptations (Borsch, 2004). Aguilera and Jackson (2003) presented a comparative corporate governance model which suggests that the LME differs markedly from the CME in terms of stakeholder salience. They emphasised the need to incorporate institutional dimensions to corporate governance discourse (Jackson, 2005; Aguilera and Jackson, 2003).

Table 3-0-1: Corporate governance institutions and firm strategies in the UK and Germany

	UK	Germany
Dominant ownership structure	Small shareholdings by portfolio	Large shareholdings by strategic investors
Employee representation institutions	Voluntarist	Corporatist (board-level co-determination)
Top management	Single board dominated	Dual board

	UK	Germany
institutions	by CEO	Multiple power centers
Primary corporate goal	Profitability	Multiple goals: profitability, market share, and employment security
Competitive strategy	Radical innovation in new sectors Price competition in established sectors	Non-price competition through incremental innovation

(Vitols, 2001: 339)

However, firms are always confronted by myriads of stakeholders; and an issue that is still debated in this field of enquiry is the order of importance (salience) the different business systems attach to the different stakeholders – i.e. their 'relevant publics' (Lindblom, 1994). Kochan and Rubinstein (2000:369) suggest that in coordinated market economies, there exist more than one stakeholder with sufficient power and legitimacy to achieve "definitive" status in governance processes of firms. But, they do not suggest any order to the stakeholder salience in coordinated market economies. In a study of corporate social reporting in Germany, Brockhoff (1975) (cited in Schreuder, 1979) found that German firms prioritised employees first (about 50% of the corporate social responsibility report content), followed by investment in R&D (15%) and philanthropy (2%). A reinterpretation of Agle et al. (1999) USA study shows a different order of stakeholder salience wherein shareholders/ customers/ community came first followed by the government and employees, respectively. In a recent study on varieties of capitalism and variation of corporate social responsibility, Chapple and Gond (2006) suggest that the order of stakeholder salience in both coordinated market economies and liberal market economies could be as presented below:

Table 3-0-2: Corporate Stakeholder Salience Profile across institutional contexts

	Coordinated market economies	Liberal market economies
Relative importance of stakeholders in the institutional environment	(1) Employees	(1) Shareholders
	(2) Customers / Suppliers	(2) Customers / Suppliers / Employees
	(3) Environment	(3) Community
	(4) Shareholders	(4) Environment
	(5) Community	

Chapple and Gond (2006)

This is partly in consonance with both Brockhoff (1975) and Agle et al. (1999), respectively. However, Chapple and Gond (2006) point out that this suggested order of stakeholder salience in the two business systems needs to be further empirically validated. Griffin and Weber (2006:436) also suggest that additional research is necessary to examine, amongst others, the country of origin and the role of institutional pressures on firms' stakeholding behaviour. Following these suggestions and in order to provide some insights and clarifications into divergent findings in this field of enquiry, this study offers a comparative analysis of stakeholder salience patterns between UK and German national institutional contexts. Following the varieties of capitalism model, this research study proposes that UK and German firms would differ in their stakeholder orientations and thus would reflect different dominant stakeholder images; especially as "....identities and interests of stakeholders vary cross-nationally' (Matten and Moon, 2005:14). And the main questions guiding this exploratory research, therefore, are:

- Are there identifiable national and organisational field patterns of corporate stakeholding in both UK and German institutional contexts? How and why do these patterns differ at the national and organisational field levels, respectively?
- How does stakeholder salience differ between UK and German firms, over time and why?
- Is there any evidence for convergence in UK and German capitalist systems?
- How does the varieties of capitalism model account for variations in industries (or organizational fields) and country stakeholding practices?
- Is stakeholder salience already embedded in institutions that managers respond to? If that should be the case, then firms in a particular variety of

capitalism would be expected to display similar stakeholder salience. The same line of thinking could be stretched to cover organisational fields.

This research is focused on mapping the meso and macro level characteristics of stakeholder salience, unlike most studies that have focused on micro dimensions and managerial agency (e.g. Mitchell et al., 1997; Agle et al., 1999).

3.4: Chapter Summary

One of the issues raised in the previous chapter is the limited literature on accounting for corporate stakeholder salience from either an organisational field or national level perspectives. This chapter, therefore, sets out to provide a research problematique that complements the research gap identified in the previous chapter. In order to do this, this chapter has problematised corporate stakeholder salience from new institutionalist view drawing largely from such comparative business systems analytical frameworks as varieties of capitalism, and globalisation. The primary goal of the chapter is to raise research questions that would help to explore the interactions between institutional contexts and stakeholder salience with the intention of examining how these converge or diverge across sectors and national economies. And corporate stakeholder salience is posited as a possible proxy to examine the influences of globalization on national business contexts.

CHAPTER 4: MODELLING CORPORATE STAKEHOLDER SALIENCE IN GERMAN AND UK INSTITUTIONAL CONTEXTS THROUGH CORPORATE SOCIAL REPORTS

4.1: Tone Setting

Having argued in the chapters of the literature review section that corporate stakeholding patterns could be complementary reflections of national institutional and sectoral contexts, on one hand, and managerial and strategic choices, on the other, this chapter focuses mainly on setting the stage for providing some empirical evidence to evaluate these lines of argument. It builds on the inter-related questions at the core of this research study, which are stated in the preceding chapter. The questions are meant to help uncover (any) relationships between and amongst the following: institutional contexts, sector differences and corporate stakeholding practices. Ultimately, the evidence provided will be further evaluated in the light of ongoing debates on the convergence and or divergence of the globalised world economy. But before delving deeper into these questions and generating corresponding propositions, the chapter makes a case for (a) the data source chosen and (b) the choice of stakeholder groups used in this study.

4.2: Corporate Social Reports, Stakeholder Salience and Discursive Institutionalism: Justifications for the research data source chosen

The primary research data source chosen for this research study is documents – i.e. corporate social reports. The reasons for this choice are not unconnected to the growing interests in deconstructing corporate social responsibility and accountability practices through documentary analyses (for example see: Unerman, 1999, 2000; Jose and Lee, 2007; Cormier et al., 2005; David, 2001; Belal, 2002; Ball et al., 2000; Gray et al., 1995a,b) – albeit, the reasons for this choice are also not limited to this trend. In the first instance, corporate social reports have become essential features of the contemporary business landscape, mainly as signals for 'good' corporate citizenship (Matten and Crane, 2005) and stakeholder orientation (Crane et al., 2004). It is estimated that about 80% of *Fortune Global 500* firms now produce one type of report or the other on their social and environmental impacts (Kolk, 2003). At the same time, social reporting has attracted significant academic interests in terms of corporate stakeholder accountability artefacts, especially on what firms disclose in their social reports and the manner they present these disclosures – e.g. in terms of narratives, visuals, graphs and quantities – (Gray, 2002; Gray et al., 1995a,b; Unerman, 2000). Increase in corporate social reporting is also linked to social pressures on firms since the 1970s to be socially responsible (Gray, 2002).

However, firms are not just passive recipients of institutional norms and practices (DiMaggio and Powell, 1983) – they are also institutional actors (Giddens, 1984; Borsch, 2004) and entrepreneurs (Lawrence and Suddaby, 2007; Dahan et al., 2006; Crouch, 2005) capable of setting 'hegemonic and pragmatic agenda' (Gray, 2002) through corporate communication and impression management, which are essential to corporate social reporting (Hooghiemstra, 2000).

In addition, corporate stakeholder salience has been theorised as an antecedent to corporate social responsibility practices, in general, and corporate social reporting, in particular; and both have been received with mixed feelings of optimism – because there is a warming up to corporate social responsibility as something good for sustainable business and society; and cynicism – because corporate social reporting is often seen as an art of corporate spin and managerial exercise of power (Owen et al., 2000; Gray, 2001; Dando and Swift, 2003). From a critical management studies' point of view, the production and consumption of corporate social reports could be argued to present an arena for contestation of interests and exercise of power (Gray, 2001). Continuing, Gray argued that:

> This process must produce conflict. Not only will there be conflict between stakeholders – for example, environmental responsibility may be seen as reducing shareholder or employee earnings – but there is bound to be conflict in the

> mind of the reporting organisation. This will initially be most apparent in the organisation's unwillingness to address the rights of certain stakeholders but will quickly extend to the information that organisations are willing to disclose. It seems highly implausible that many organisations – if any – would voluntarily produce a full and transparent social account (Gray, 2001:14).

Following Gray's line of thought, social reports are susceptible to 'managerial capture' (Owen et al., 2000) and therefore could become 'maps of social reality which have a whole range of social meanings, practices and usages, power and interest "written into them" (Hall, 1980:134). Although, like most social phenomena, research data on corporate stakeholder salience can be generated from multiple conventional sources typical of social science and management research studies – e.g. interviews, ethnography, surveys (Agle et al., 1999), and documents (Unerman, 1999), to mention but a few; it is also argued that documents are more reliable repertoire of 'declarative organisational memory' (Moorman and Miner, 1998) than most other data sources of social and management sciences. Moreover, corporate social reports – like corporate annual reports – "...are regarded as important documents ... due to the high degree of credibility they lend to information reported within them" (Unerman, 2000:669). And from a pragmatic perspective, documents – including corporate social reports – enable researchers to "...gain access to communicators who may be unwilling or unable to be examined directly" (Riffe et al., 2005:38) by other enquiry methods such as interviews, ethnography, surveys, et cetera. This is even more so, given that corporate stakeholding and social responsibility both present reputation risks and opportunities in measures that easily blur the boundary between the two; and thus makes it difficult for researchers to easily ascertain the corporate view and practices on some issues, through much more direct research approaches. For example it was easier for firms to send the researcher their corporate social reports, where they were available, than respond to surveys when approached.

It is within this understanding of power relations, managerial capture and interest contestation that the significance of corporate social reports in contemporary business landscape could further be explored and advanced. A key point of this study, therefore, is that firms use corporate social reports to signal their stakeholder salience. But what we do not know is how the institutional context interacts with managerial discretion to influence corporate stakeholder salience patterns reflected through these corporate social reports over time. Given the prominence corporate social reports have gained in the business world, one would at least, expect them – as written documents – to have some consumption consequences either in form of shaping discourses and or initiating actions (Phillips et al., 2004; Burgess, 1990). And following this understanding, corporate social reports, therefore, provide **useful, pragmatic and novel** empirical sites to study corporate stakeholder salience patterns and practices over time.

However, it is worthwhile to make it clear at this stage of the research that this study is not strictly about what firms *actually do in practice*, but rather about *what they say (or signal that) they do* (Chapple and Moon, 2005). Reframing the central problematique of this research study will, then, be: "*who do German and UK firms say (or signal that) are important to them, respectively, through their social reports and why?*" In other words, "*how do UK and German firms reflect their stakeholder salience patterns and orientation through social and environmental reports?*" In this regard, it could be argued that contents of corporate social reports are not necessarily what firms *actually* do (i.e. not a practice dimension), but series of discourses that could inform actions (Phillips et al., 2004). Whilst this distinction is analytically necessary, there is latitude of probability that what firms *say (or signal that)* they do in their social reports are actually what they do in practice – but it still remains more of a probability than factuality. Taking this position in relation to corporate social reports is sensible, since the use of external auditors for verification of social reports is currently more of a fashion (good practice) than mandatory (Owen et al., 2000; Owen, 2003). In addition, different firms use different verifiers, which could include consulting firms, NGOs and auditing firms (see Owen et al., 2000; Owen, 2003, 2005 for details for major characteristics of these different verifier groups). This leeway also gives firms the opportunity to express their identities over time and simultaneously contribute to the discursive repertoire of their institutional contexts through self-regulated discourses (i.e. corporate social reports) – which is a form of institutional work (Lawrence and Suddaby, 2007).

The role of discourses in institutional work has featured heavily in broader social sciences – especially political science and sociology of social movements, as well as in language and communication sciences. Social movements and social coalitions, for example, are to a large argued to be built on sophisticated discourses that mirror the rhetoric and frames of their time (Snow, Rochford, Worden and Benford, 1986; Benford and Snow, 2000). Discourses could be in form of texts, speeches, and conversations (Taylor et al., 1996). Discourses aim at creating, maintaining or disrupting institutional logic – i.e. "the underlying assumptions, deeply held, often unexamined, which form a framework within which reasoning takes place" (Horn, 1983:1). Frames and logics are essential components of the discourse repertoire of tools. Frame denotes "schemata of interpretation" that enable individuals "to locate, perceive, identify, and label" occurrences within their life space and the world at large (Goffman, 1974:21 cited in Snow et al., 1986), while "Logics enable actors to make sense of their ambiguous world by prescribing and proscribing actions. Action re-enacts institutional logics, making them durable" (Suddaby and Greenwood, 2005:38).

Vivien Schmidt is one of the major authors that have contributed to the understanding of institutions from a discursive perspective – in what she calls discursive institutionalism. According to her, "To gain a full understanding of the political dynamics of change", which is a form of institutional transformation, there is need to go beyond what she describes as "politics as usual" – "that is, beyond an understanding of the interplay of interests, institutions, and cultures that represent the background conditions to change, to examine what ideas and values are contained in a policy program, how policy elites construct their policy program, and how they convey it to the general public. All of this I consider under the rubric of policy discourse" (Schmidt, 2002:5). However, she acknowledges that:

> Showing that discourse exerts causal influence is not simple, since the ideas articulated by a discourse cannot easily be separated from the interests which find expression through them, from the institutional interactions which shape their expression, or from the cultural norms that frame them. And because of this discourse cannot in any case be seen as <u>the</u> case, or <u>the</u> independent variable, given that it rests, as it were, on top of the other variables. But it could be seen as one of a number of multiple causes or influences – and it may even be the very variable or added influence that makes the difference, by serving to overcome entrenched interests, institutional blockages, or cultural blinders to change. This is likely to do through the re-conceptualization of long-standing notions of self-interests, the reframing of institutional rules and cultural norms, and

through the appeal to general interests over narrow self-interest (pp 5-6).

Despite the hesitation expressed by Schmidt in establishing casual links between discourses and institutions, Philips et al. (2004) is one of the major step changes in management literature linking discourses directly to institutions. Social reality, it is argued, is constitutive of discourses. Without discourse, there is no social reality, and without understanding discourse, we cannot understand our reality, our experiences, or ourselves" (Phillips and Hardy, 2002). Drawing from Parker (1992), Phillips and Hardy (2002:3) define discourse "... as an interrelated set of texts, and the practices of their production, dissemination, and reception, that brings an object into being". In other words, the goal of discourse analysis is to ascertain the constructive effects of discourse through the structured and systematic study of texts (Hardy, 2001; Phillips and Hardy, 2002). In this regard, language becomes fundamental to institutionalization and institutionalization occurs as actors interact and come to accept shared definitions of reality (Phillips et al., 2004). As such, it is through linguistic processes that definitions of reality are constituted (Berger & Luckmann, 1966). Continuing, Phillips et al., state that "...institutions, therefore, can be understood as products of the discursive activity that influences actions (p.635)".

According to Phillips et al., actions inform the formative processes of institutionalisation and resultant institutions in turn inform, enable and constrain actions. This interactive process is mediated by texts and discourses. Actions generate corresponding texts; but not every action is capable of generating texts that are widely disseminated and consumed. Phillips et al. theorise that only actions that require organisational sensemaking and that affect perceptions of organization's legitimacy are more likely to result in the production of texts that are widely disseminated and consumed than actions that do not (p.642). The texts in turn inform discourses which in turn inform institutions. However, not every text is capable of becoming embedded in discourses, except those "...that are produced by actors who are understood to have a legitimate right to speak, who have resource power or formal authority, or who are centrally located in a field" (644). In addition, "...texts that take the form of genres, which are recognizable, interpretable, and usable in other organizations and texts that draw on other texts within the discourse and on other well-established discourses are more likely to become embedded in discourse than texts that do not" (644). In the same vein, they argue, not every discourse gives rise to institutions. Discourses that give rise to institutions are "coherent, structured and...supported by broader discourses and are not highly contested by competing discourses" (p.645).

Corporate social reports are discursive artefacts with the capacity to contribute to institution building. The discursive attribute of corporate social reports also suggests that they are implicated in the practice of corporate communication (Hooghiemstra, 2000). Van Riel (1995:26) defines corporate communication as: "an instrument of management by means of which all consciously used forms of internal and external communication are harmonised as effectively and efficiently as possible, so as to create a favourable basis for relationships with groups upon which the company is dependent". This definition highlights the significance of corporate communication in the organisational repertoire of practices and the centrality of stakeholders in the corporate communicative process and practice. Given its recognised importance in the organisational scheme of things, corporate communication is becoming an established field of study in its own right. It draws from arrays of disciplines such as communication studies, public relations, marketing, and advertising, to mention but a few, and encompasses such intertwined aspects as branding, reputation, and identity management. One of the key corner stones of corporate communication is that it embodies how a firm wants to be seen and understood in the public space in comparison to other actors (e.g. competitors, regulators, consumers etc) within this public space. As such, firms are very careful in what they present to the world. Following this, this thesis argues that corporate social reports are fundamentally discursive and corporate communication artefacts. It conceptualises social reports as a 'multiplex corporate communication artefact', which could be used for communicating the following: accountability, brand, reputation, products and services, stakeholder salience, et cetera.

This understanding carries with it some basic implications. One implication is that it broadens the current conceptions of social reports in the extant social accounting literature as a normative instrument of accountability, in order to highlight the multiple uses and significance of corporate social reports as corporate communication artefacts. This latter view has been under-emphasised in the literature. For example, Gray (2002) claims that corporate social reports fall under the broad category of social accounts, which he further describes as "...a generic term for convenience to cover all forms of 'accounts which go beyond the economic' and for all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting" (Gray, 2002:687). Irrespective of Ullmann (1979:132)'s warning, almost 30 years ago, that "... the emphasis on the technical and methodological aspects has diverted our attention from the normative and political aspects of (corporate social reporting)", the broadness of these descriptions of social reports offered by Gray (2002) tend to over represent a normative view of social reports and appear to ignore the instrumental (and strategic) dimensions of such reports.

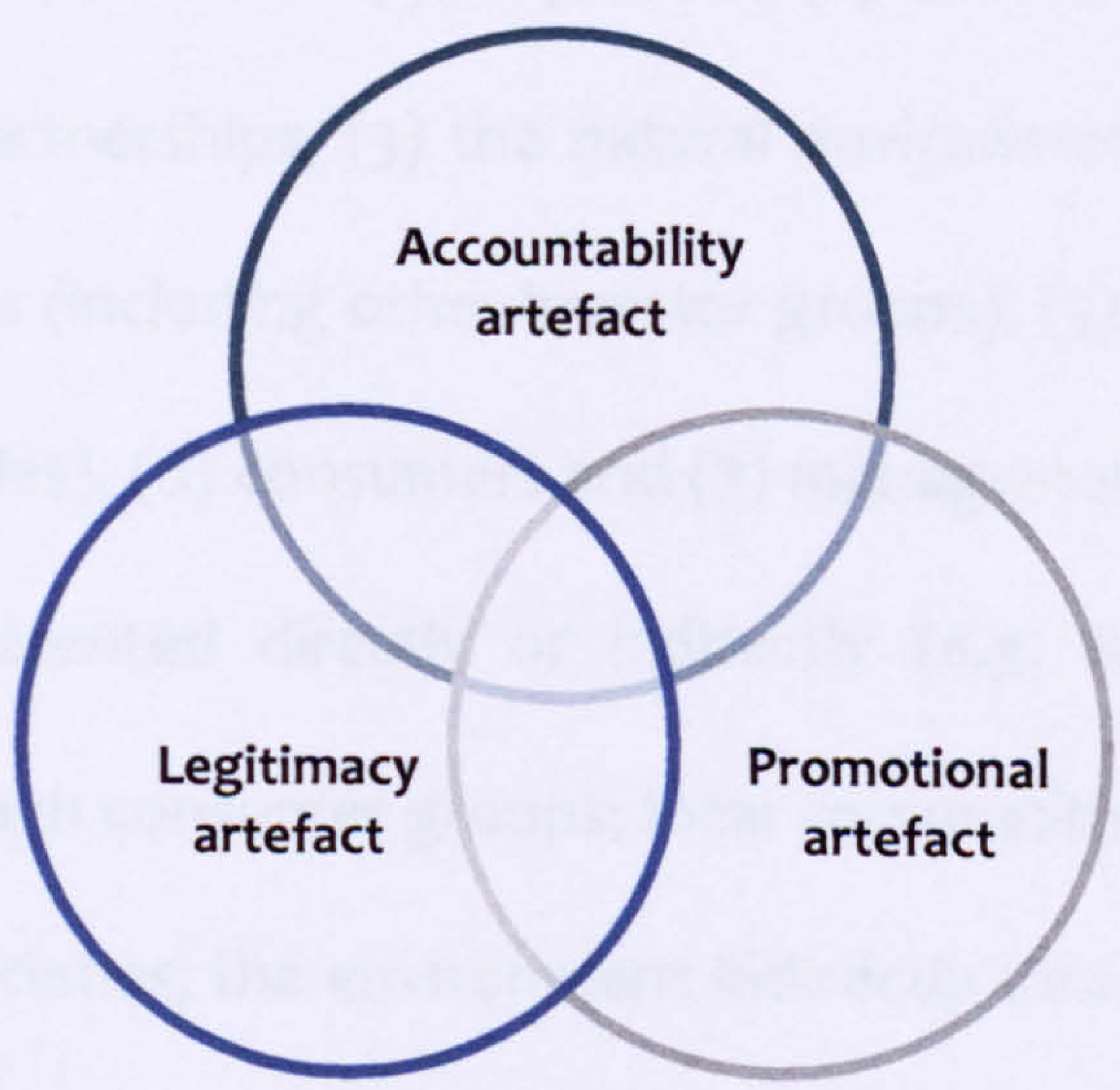
Corporate social and environmental reports have a unique history strongly linked to corporate accountability. They have over time been regarded as corporate expressions of commitments to responsible citizenship. This association to corporate social responsibility tends to give social reports some sort of normative connotations that make it difficult to construct them in instrumental or strategic frames. Social and critical accounting has been dominated by this understanding of social reports, that there is limited study on how corporate social reports foster discourses and engender actions amongst the different stakeholder groups they purport to address – e.g. investors, employees, consumers, suppliers, and local communities – thereby leaving the area still largely under-explored in the extant literature [exceptions to this, though dated, include: Buzby and Falk, 1978, 1979; Cooper and Essex, 1977]. The nearest one gets to in the literature are the occasional reactions from pressure groups, like the NGOs, to these corporate social and environmental reports – either challenging them or providing alternative accounts to those contained in these reports[12]. The environment, for instance, dropped-off social reporting lists in the 1980s and re-surfaced in the 1990s (Gray, 2002, 2001). This sort of cyclical changes in social reporting over the decades have been attributed to the subjection of social accounting and its associated activities (e.g. social audits) to the political whims of corporations (Gray, 2001), especially as corporate reporting is a "... mechanism used by a privileged part of the socio-economic political system (capitalist elites) to protect and advance their sectional interests" (Unerman, 2003:429). In the same vein Ullmann (1979:124) argues that:

[12] See footnote 5, earlier on page 26.

> ... corporate social accounting is an attempt to represent more adequately the effects of corporate behavior, including non-market effects... shaped according to management's self-interest. Conflicts over CSR (corporate social reporting) arise as a result of the constituencies' varying interests with regard to the information published as well as the corporate strategies themselves. Hence management's interests in publishing corporate social reports and the reactions of the constituencies have to be discussed in terms of their preference structure in order to reveal the political content of CSR.... From the point of view of management, CSR can serve as an instrument with which to try to pacify the socio-political demands made of the business whilst at the same time playing a role in helping to safeguard support from other constituencies.

This research study aims to go beyond the narrow view of corporate social reports. In order to do this, corporate social reports are primarily conceptualised as part and parcel of corporate communications repertoire – which means that corporate social reports could as well have strategic (instrumental) purposes in addition to the normative demands of corporate accountability. It positions corporate social reports as artefacts of corporate accountability, branding, reputation and marketing of products and services (as shown in the figure below). The research study does not draw boundaries between and amongst these corporate activities, but problematises social reports as an arena in which these activities are simultaneously enacted, produced, consumed and reproduced. And more so, it is an arena for stakeholders' contestations and salience (Gray, 2002). In other words, by evaluating the language of corporate social reports, as objects of public communication, "...one is able to determine the audience the firm may be trying to impact and the means by which it hopes to do so" (Hartman, Rubin and Dhanda, 2007).

Figure 4-0-1: Multiple dimensions of corporate social reports



4.3: Justifications for stakeholders selected for the study

As discussed in the literature review chapters, stakeholder groups come in various shades and fashions. The concept of stakeholding is in itself a multiplex and complex one, with many definitions and descriptions as there are writers (see table on pages 42-45 for different definitions and descriptions offered). Stakeholders could be grouped on normative, instrumental and or descriptive parameters (Donaldson and Preston, 1995). They could also be categorised on some primary and or secondary characteristics (Friedman and Miles, 2006). They could as well be legitimate and or derived (Phillips, 1997; Phillips et al., 2003). In essence, it is not possible to address all possible stakeholder groups that could be. For the purpose of this research study, certain stakeholder groups have been selected to explore the line of arguments advanced by the study. These stakeholder groups include: (1) employees, (2) networks (including suppliers, alliances and partnerships, (3) the natural environment (including ecology), (4) shareholders (including other investor groups), (5) the society (including local communities), (6) consumers and (7) management. Other stakeholders might be represented directly or indirectly (e.g. consumers, directly or indirectly, through consumer groups; local communities directly or indirectly through civil societies; the environment indirectly through consumer groups, governments, and or civil societies, etc). These stakeholder groups will include their associated non-for-profit organisations. For instance, environmental and consumer-related non-for-profit organisations will be classified as representing corporate recognition of the natural environment and consumer groups, respectively.

However, the choice of these stakeholder groups is not completely random and arbitrary. In the first instance, these stakeholder groups are very popular in the extant stakeholder literature. According to Freeman and Miles (2006:13-14), "The most common groups of stakeholders considered are: shareholders, customers, suppliers and distributors, employees, local communities, and managers". In the same vein, Agle et al. (1999:521) write: "... accountability to stockholders, customers, and communities prompts values that give rise to salience" while Donaldson and Preston opine that: "[M]anagers are, themselves, stakeholders – and, indeed, a very privileged class of stakeholders – in the enterprise" (Donaldson and Preston, 1995:86). These stakeholder groups are also often referred to in practice. For example, E.ON – a German utility firm – wrote on page 4 of its 2005 corporate social report: "We behave responsibly towards our colleagues, customers, suppliers, the environment, and the communities where we live and work. We seek to improve lives everywhere we operate, aiming for a healthy, safe, and sustainable environment." From a normative perspective, these are usually considered *legitimate* stakeholders who may not necessarily display equal levels of *power* and *urgency* in their interactions with the firm.

4.4: Research Problematique and Propositions

The key research question of this study is as articulated below:

Are there identifiable national and organisational field patterns of corporate stakeholding in both UK and German institutional contexts? And how do these patterns differ at the national and organisational field levels, respectively?

The main objectives of this question include the need to establish from empirical data collected that there are clearly identifiable patterns of corporate stakeholding salience, along the chosen stakeholder groups of the study, within the UK and German institutional contexts, respectively. The first part of the question is rather exploratory. It attempts to map any emergent national and industry level patterns of corporate stakeholding in both UK and Germany. This is to establish, first and foremost, a possible link of influence between corporate stakeholding at the managerial and firm levels to industry and country level patterns. The second part of the question seeks to establish how these patterns (if any) differ at national and organisational field levels, respectively. In order to do justice to this question, the research study draws from the varieties of capitalism analytical framework to hazard some guiding propositions. However, this study is not primarily a 'test of the varieties of capitalism model'. It is first and foremost a 'test of corporate stakeholder salience patterns' and an exploration of how corporate stakeholder salience patterns manifest in different institutional contexts. In other words, it takes the existing characterisations of the varieties of capitalism model in the extant literature for granted and will not seek to uncover the underlying causal mechanisms that give rise to unique (i.e. stable and dynamic) configurations of different capitalist systems beyond what is already known in the relevant literature. As such, it will merely take the varieties of capitalism model as a background to benchmark and or test-run the findings of this exploratory search, focusing primarily on '*manifestations of representations of corporate stakeholder salience patterns*'.

The varieties of capitalism model holds that German and UK institutional contexts are fundamentally different in their economic coordination strategies and mechanisms. It has been argued in the extant literature on comparative capitalism that the Coordinated Market Economies (CME) and Liberal Market Economies (LME), which German and UK economies represent respectively, are fundamentally different in such areas as ownership patterns, financial institutions, corporate governance, industrial relations and employee representation. Following this line of thinking, Vitols (2001) writes:

> In the corporate governance literature Germany is one of the foremost examples of the stakeholder model, since the different firm constituencies enjoy a strong formal 'voice' in decision-making through representation on company boards. In contrast, in the UK, an LME, markets play a much more significant role not only in influencing inter-firm relationships but also in regulating the interactions between ...actors.... The UK is one of the primary

> examples of the shareholder model of governance due to the weak formalized role of constituencies other than shareholders in firm decision-making (Vitols, 2001:338)

Following this broad-brush typology of the UK and German institutional contexts, respectively, therefore, this research proposes that:

Proposition 1: Corporate stakeholding patterns, proxied through corporate social reports, will differ between German and UK national institutional contexts.

Continuing, Vitols (2001:341-42) argues that major investors in the UK include institutional investors – investment funds, pension funds, and insurance companies – who "...take a 'portfolio' approach to risk management by taking small stakes in a large number of companies" and "...are generally solely interested in a high return on their shares (and thus primarily on the profitability of the company invested in)". This investment paradigm and practice in the UK is quite unlike that of German investors who are rather "...characterized by one or more large shareholders with a strategic (rather than purely share value maximization) motivation for ownership". These shareholders are mainly banks, that the German economy has aptly been described as the 'bank-based-economy' (Amable, 2003; Fiss and Zajac, 2004). It is argued that one of the primary reasons for these banks to have stakes (or buy shares) in the firms they support is to protect their loans and not necessarily to earn income from them (Vitols, 2001). The table below, though now dated, showcases the pattern of investments in the UK and German economies, respectively:

Table 4-0-1: Pattern of investments in the UK and German economies

	Germany	United Kingdom
Households	14.6	29.6
Enterprises	42.1	4.1
Public sector	4.3	0.2
Banks	10.3	2.3
Insurance enterprises and pension funds	12.4	39.7
Investment funds and other financial institutions	7.6	10.4
Rest of world	8.7	13.7
Total	100.0	100.0

Source: Deutsche Bundesbank (1997:29 – cited in Vitols, 2001:342)

In addition to the different investment profiles of shareholders in the two economies, shareholding in the UK is known to be rather dispersed while share ownership in Germany is concentrated. It is based on this combination of shareholders' profiles and the degree of dispersion and or concentration that it has been argued that German investors and shareholders are more prone to providing 'patient capital' (Schröder and Schrader 1998; Jürgens, Naumann and Rupp 2000) than would obtain in most liberal market economies, which the UK economy aptly represents, driven by short term profits. Where and when such expected profits do not arise and or are not forthcoming, shareholders in liberal market economies are known to quickly exit. This ability and propensity for quick exit, then pushes managers to solely aim towards profitable returns in order to keep shareholders attracted to the firms they manage. Given the divergent attention and emphasis placed on shareholders in the two economies, this research study proposes that:

Proposition 2a: German and UK firms will differ on the emphasis they respectively place on shareholder salience in corporate social reports

Proposition 2b: UK firms will place more emphasis on shareholder salience in corporate social reports than German firms

A second major institutional difference identified in the literature between German and UK firms is the relevance given to employees in corporate governance. In the German context, employees exercise strong 'voice' through corporatist bargaining and co-determination, which ascribes to them "...the right to negotiate key issues with management, including the hiring of new employees, introduction of new technology, use of overtime and short-working time, and in the case of mass redundancies, the negotiation of social plans (*Sozialplane*) covering redeployment, severance payments, and early retirement" (Vitols, 2001:343). This right derives from the German Works Constitution Act of 1972 (*Betriebsverfassungsgesetz*) to elect works councils. In addition to the works councils, employee representatives are also included on German supervisory boards under the 1976 Co-Determination Act (*Mitbestimmungsgesetz*), which applies to almost all companies with 2,000 or more employees (Vitols, 2001:343). However, "A second, stronger form of co-determination applies only to companies mainly involved in steel and coal mining (*Montanmitbestimmung*). A third, weaker form of co-determination under the Works Constitution Act of 1952, as amended in 1972, applies to most companies with between 500 and 2,000 employees" (Vitols, 2001:343). Continuing, Vitols states that this law has the following key provisions:

- Employee representatives are to comprise half of supervisory board representatives and shareholder representatives the other half. Shareholders, however, elect the chairperson, who may cast a tie-breaking vote in case of a 'deadlock' between shareholder and employee blocks.
- The number of supervisory board seats are to total 12 in the case of companies with between 2,000 and 10,000 employees, 16 in the case of companies with between 10,000 and 20,000 employees, and 20 in the case of companies with above 20,000 employees.
- In the case of companies with between 2,000 and 20,000 employees, two employee representatives can be union functionaries (i.e. non-employees); in the case of companies with more than 20,000 employees, three may be union functionaries.

Contrary to the rights and privileges employees are bestowed upon in the German context, employees do not enjoy the same rights in most liberal market economies (the UK inclusive). In the UK, labour is primarily seen as an input in the production process that should be maximised efficiently and profitably. Accordingly, Vitols, again, notes that:

> This shareholder interest is supported by flexible external labor markets and internal promotion and remuneration practices. Due to the weak attachment of employees to firms, British companies can quickly hire and reward (through strong performance incentives) 'top talent' in new areas (Vitols, 2001:351)

The UK institutional context, therefore, makes it easy for firms to hire and fire employees, which in turn induces employees to go for broad skills as safety nets whereas the German system encourages specialization of skills amongst employees (Whitley, 1998; Hall and Soskice, 2001; Vitols, 2001). As a result, this research study proposes that:

Proposition 3a: German and UK firms will differ on the emphasis they respectively place on employee groups in corporate social reports
Proposition 3b: German firms will place more emphasis on employee groups in corporate social reports than UK firms

The roles, rights and powers of management in German and UK firms are also seen as another major source of difference between the two economies. In the liberal market economy, the functions of management are primarily a fiduciary one that requires them to maximise shareholders wealth (Berle and

Means, 1932; Friedman, 1962). As such, they represent the most powerful entity between the firms and their owners and exercise strong 'voice' in organisational decisions. This is typical of the 'shareholder' model of corporate governance. The stakeholder model of corporate governance, which is typical of the German system, on the other hand gives voice to multiple stakeholders – especially employee groups as already noted above – in how the firm is run (Kelly et al., 1997). Vitols (2001:344-5) eloquently gives an apt description of the difference in roles, powers and functions of management in both German and UK contexts, respectively, below:

> The clearest manifestation of pluralism in large German companies is the dual company board system. Strategic decisions such as major investments, mergers and acquisitions, dividend policy, changes in capital structure, and appointment of top managers are made by the supervisory board (*Aufsichtstrat*). The day-to-day running of the company in contrast is the responsibility of the management board (*Vorstand*), which generally meets once a week and includes between five and ten top managers in the company. The board is clearly separated from the supervisory board. No individual is allowed to be simultaneously a member of both the supervisory and management board. While the management board has a chair or 'speaker', his or her role is generally the case of 'first among equals.' Top managers have a great deal of autonomy in their individual areas of responsibility (generally defined by function such as finance,

> production, personnel and social policy, etc.). Major decisions or proposals to the supervisory board are reached through consensus. The separate appointment of managers by the supervisory board reduces the dependency of individual members on the chair/speaker.
>
> Large British companies in contrast are generally run by a CEO-dominated single boar. This CEO is often also the chair of the board and either hand-picks or plays a major role in choosing the other members of the board. The typical leadership style is for the CEO, after a period of consultation with other managers, to make major decisions alone and to take responsibility for these decisions.

The dichotomy between the roles of management in corporate governance in German and the UK respectively, is further re-enforced by prevailing social understanding and expectations of firms in both institutional contexts – in Germany, for instance, firms are seen as having social obligations in addition to wealth creation, while in the UK firms are primarily instruments to maximise shareholders wealth and as such, social obligations are rather secondary. This has recently been emphasised in the 'implicit and explicit' corporate social responsibility model advanced by Matten and Moon (forthcoming). In this regard, this research study, also, proposes that:

Proposition 4a: German and UK firms will differ on the emphasis they respectively place on management in corporate social reports

Proposition 4b: UK firms will place more emphasis on management in corporate social reports than German firms

Following from and complementary to the shareholder and stakeholder orientations of UK and German firms, respectively, the varieties of capitalism analytical framework argues that economic coordination in coordinated market economies (CME) relies heavily on non-market institutions, "...which not only allow for inter-firm coordination, but also regulate the interaction between owners and mangers, between employees and firms, and among top managers" (Vitols, 2001:338), while liberal market economies rely heavily on market institutions and contracts (Williamson, 1985, 2002). In the neo liberal capitalist philosophy, for instance, firms are not mainly considered as moral entities but market artefacts with the primary responsibility of providing decent returns to shareholders within the 'rules of the game' (Friedman, 1962). This liberal market orientation is largely characteristic of the Anglo-American business model but less characteristic of the co-ordinated markets of Western Europe and South East Asia where business concerns traditionally go beyond shareholders to include other stakeholders - e.g. employees and suppliers – (Whitley, 1998; Hall and Soskice, 2001). Jones (1999:166) refers to these as property right capitalism and stakeholder capitalism, respectively[13]. In the former, firms are constructed as private

[13] In a similar line of thought, Fannon (2003) argued that these perspectives on the nature and functions of firms derive from two different schools of thought - contractarian and communitarian schools, respectively.

actors, with private rights mainly embedded in contracts (license of operation), while in the latter, firms are construed as fabrics of the society with the purpose of providing some social benefits (i.e. employment, productivity, economic growth, sustainability, etc) (Fannon, 2003). Although firms in coordinated markets operate on some contracts, they are expected to adhere more to the *spirit* than the *letters* of contracts (Amaeshi et al., 2006).

Non-market institutions are largely anchored on institutional trust and social norms (Mollering, 2006; Beckert, 2005; Zucker, 1986). One of the outstanding contributions to the institutionalist trust literature is Zucker (1986). Building on previous works (e.g. Blau 1964; Luhmann, 1979; Giddens, 1984) Zucker, in her seminal work, traced the production of trust to three main sources: (a) process-based (b) characteristic-based and (c) institutional-based. Process-based trust is produced through reciprocal or recurring interactions between individuals or organisations. It operates on the principle that "...persons and firms make investments in process-based trust by creating positive 'reputations' or name brands" (p.61). These reputations in turn serve as 'symbolic representation of past exchange history' (p.62) to signal trust in the present. Characteristic-based trust on the other hand is produced through social similarities – for example, family background, gender or nationality. As such, characteristic-based trust implies that "...the greater the number of social similarities (dissimilarities), the more interactants assume that common background expectations do (do not) exist, hence trust can (cannot) be relied upon" (Zucker 1986, p.63). Finally, institutional-based trust is produced from formal mechanisms that are not dependent on personal characteristics or on exchange history. They are rather driven, as the name suggests, by societal institutions – i.e. expectations embedded in societal norms and structures (e.g. the educational system, systems of innovation, legal institutions, etc) and could be signalled through institutionalised professions (e.g. medical doctors, lawyers, accountants) and intermediary mechanisms (e.g. bank supervision of escrow accounts). As such, Zucker argues that institutional-based trust "...is a commodity, albeit a social one ...that at least some types of it are purchasable" (e.g. the commoditisation of intellectual property rights, professional and financial services). Mechanisms of non-market institutions will include inter-firm collaborations, supplier relationships, alliances, partnerships, et cetera. This study uses networks as an umbrella term to accommodate these non-market institutional mechanisms and therefore proposes that:

Proposition 5a: German and UK firms will differ on the emphasis they respectively place on networks in corporate social reports

Proposition 5b: German firms will place more emphasis on networks in corporate social reports than UK firms

In addition to these core and fundamental differences identified in the literature between coordinated and liberal market economies, this research incorporates other stakeholder groups typically mentioned in the corporate social responsibility and accountability literatures but sometimes missing in the varieties of capitalism debates – and they are: customers, the environment and the society. While these are not primary distinguishing factors in the varieties of capitalism analytical framework, they are core and fundamental to the corporate social responsibility and accountability movement. And corporate social reports serve as communicative and discursive artefacts to represent these stakeholder groups. Interest in the environment and local communities, in particular, is not arbitrary. The natural environment has been traditionally kept away from strategic business issues of the classical and neoclassical economics of firms. On one hand, the classical model denies that business has any direct environmental responsibility; and rather sees business as cooperating with society in attaining the environmental goals freely chosen by consumers in the marketplace. From this perspective business, therefore, serves these environmental goals not by taking on any special environmental responsibility, but by fulfilling its function within a free market economic system (DesJardins, 1998:827). The neoclassical economics model, on the other hand, suggests that firms ought to seek profits while nevertheless maintaining a "moral minimum" (Bowie, 1991). According to DesJardins (1998), this moral minimum is interpreted in different ways by different versions of the neoclassical model. However, Bowie favours "avoiding harm" as the moral minimum. Continuing, DesJardins states that this neoclassical approach has the decided advantage over the classical model since it provides a genuine moral limit on the pursuit of profit. A moral minimum is incorporated into the 'rules of the game' and becomes part of standard business practice (p.828). From an environmental perspective, this model, therefore, seems capable of offering significant protection of the natural environment in the face of market failures and negative externalities associated with all free market economic models.

In the context of this neoclassical economic perspective, environmental concerns need only be integrated within the moral minimum to become part of business' social responsibility. The challenge, then, is to develop an account of environmental responsibilities that is sensitive to a wide enough range of environmental and ecological concerns yet plausibly within a 'moral minimum' that can still motivate business compliance. Accordingly, DesJardins (1998) proposes the sustainability alternative. Having argued that all markets operate within constraints (physical, legal and moral), the sustainability alternative seeks to combine the natural constraints established by ecological laws with minimal moral constraints placed upon business activity. In this regard, DesJardins argues that:

> ... the sustainability alternative can provide ecologically sound and practical guidance. Business remains free to pursue profits within the rules of the game; but the rules must be changed to include the obligation to leave natural ecosystems no worse off in the process.... In the light of the poverty-population-environmental destruction dilemma, the rules of the game must be adjusted to

insure that the economic system (and the firms and industries that operate within it), fulfils its social function. Since humanity still requires significant economic activity to provide for the basic needs of an increasing population, the rules must be changed to transform this activity from unrestricted *growth* to *development* (p.831 – emphasis in original).

In a nutshell, DesJardins proposes that an adequate account of corporate environmental responsibility should do two things: (1) address the entire range of environmental and ecological issues affected by business decisions in a way that might actually turn the tide of environmental and ecological deterioration; and (2) be capable of influencing business policy.

It is worthwhile to note that DesJardins propositions are driven by an effort to orchestrate the natural environment as a legitimate stakeholder worthy of managers' considerations, especially as some research has shown that when firms make trade-offs among stakeholders, the natural environment is often placed low on the list (Bendheim et al., 1998; Nasi et al. 1997). Other scholars suggest that firms merely overlook strategic environmental considerations, believing that the global economic system is somehow independent of the Earth's ecological system (Gladwin et al., 1995; Jennings and Zandbergen, 1995; Stead and Stead, 2000). DesJardin is not alone in this quest and has been recently supported by other scholars (Gago and Antolin, 2004; Phillips and Reichart, 2000; Driscoll and Starik, 2004; Starik, 1994, 1995). However, with issues like climate change and global warming becoming more disturbing than ever, the call for environmental sustainability seems to be on the forefront of the quest for sustainability. According to Gago and Antolin (2004), increasing environmental awareness has led to the development of international standards (ISO 14000, EMAS), along with complex environmental regulations that have changed firms' competitive environments (Rugman and Verbeke, 1998) and persuaded them to place more importance on environmental factors when designing their strategies (Aragon, 1998). Given that environmental discourses are internationally driven, and not bound to any specific institutional context, this research study proposes that:

Proposition 6: German and UK firms will adopt similar direction of emphasis on the environment in their corporate social reports

In addition to environmental discourses, current trends in corporate social responsibility tend to often tout the ascendance of local communities on corporate agendas; and this is one of the drivers of the current wave of corporate social and environmental reporting. The community or society is being taken from the previous position of taken-for-granted in business decisions to one where it is taking a centre stage and influencing decisions. This ascendance of the society on corporate agenda may not be unconnected to the increasing voice against corporate scandals and social externalities arising from corporate activities. With the emergence of Transnational

Corporations (TNCs) and the seemingly unlimited power they wield, the influences of firms on societies through their products and services are attracting global interests. This is more so, given the 'inadvertent' devastating effects of capitalism equally on rich and poor countries alike. The community or society is today one of the main reported drivers of corporate social responsibility (Amaeshi et al., 2006). Because the varieties of capitalism model focuses mainly on private economic actors, it appears not to take into reasonable considerations the social model of governance which has dominated European policy for a long time now. So, while the varieties of capitalism model associates the UK with Anglo-Saxon mode of capitalism, it tends to miss out on the social characteristics of the UK capitalist system, which is picked by the 'explicit and implicit' corporate social responsibility model of Matten and Moon (forthcoming). Matten and Moon suggest that whilst the 'explicit' style characteristic of North American firms' corporate social responsibility is vociferous about its contribution to the society – for example in provision of healthcare, education, employee welfare and other social amenities, the 'implicit' style characteristic of Continental Europe finds it less attractive to report such social provisions as contributions to the society, since these provisions are already taken care of by the national institutions in which they operate in. The UK government's national health care service (the NHS) has been providing free healthcare service to its citizenry since the 1940s and the German system has ensured that employees' welfare gets top priority in organisations through its co-determination approach to corporate governance. The social model of governance has been recently reinforced in the UK in the last 10 to 15 years prior to and in the course of the current Labour government. Tony Blair, for instance, will remain important in the corporate social responsibility debate for introducing the stakeholder concept into contemporary political discourse following his Singaporean speech in 1996 (Blair, 1996; Nuti, 1997). In line with this stakeholder thinking and social model of governance, the UK government is the first to appoint a Minister for Corporate Social Responsibility. Given common and prevalent European interests in the sustenance of the social model of governance, this research study proposes that:

Proposition 7: German and UK firms will adopt similar direction of emphasis on local communities or society at large in their corporate social reports if exposed to similar international influences

The growing emphasis on consumerism and consumer welfare and orientation is not restricted to any capitalist system. It has in itself assumed a global dimension, which highlights a postmodern expression of consumer sovereignty and a 'de-traditionalized' consumer society (Sturdy, 1998:27). The 'customer is king' philosophy has become one of those marketing fads and fashions that have continued to trail the growth and expansion of the service economy (Egan and Shipley, 1995; Sturdy and Fleming, 2003; Jones and Fleming, 2003). Although there is an implicit assumption of an inherent positive (normative) orientation towards consumers in coordinated market economies, the liberal market economies in their sole quest for profit have also turned to the consumers, albeit, in an instrumental fashion. Attention to customer needs has been identified as a key survival strategy in contemporary globalised economy (Deshpande et al, 1993), and the diffusion of this ideology has been sustained through organisational practices of Transnational Corporations (Abrahamson, 1991; Siu and Darby, 1995), management consultants and the international media (Bloomfield and Danieli, 1995; Jackson, 2001). Given the globalised nature of customer service discourse and pervasive international influences on different institutional contexts, structures and governance mechanisms, this research study proposes that:

Proposition 8: German and UK firms will adopt similar direction of emphasis on customers in their corporate social reports if exposed to similar international influences

Another trend that has been hanging over recent debates in comparative business systems is the idea that the different systems are converging under the powerful influence of globalization. There have been an increasing number of voices suggesting convergence of global corporate governance systems (see Drezner, 2001 for some examples of this literature). As such, on one hand, it is argued that national business systems succumb to the globalised world order. For instance it has been argued that both Japan and German, which have been widely conceptualised in the extant literature following the stakeholder model, are gradually opening up and adapting to the Anglo-Saxon shareholder governance model, albeit with some frictions (Jackson, 2005; Dore, 2000; et cetera). On the other hand, the argument is that national business systems do not disappear, but rather find new and innovative ways of internalising influences coming from globalisation while retaining their distinctiveness (Whitley, 2002; Hall, 2007; Hancke et al., 2007). According to Hancke et al. (2007:9 & 12), the varieties of capitalism analytical model "...argues that globalization will confirm rather than subvert the comparative institutional advantage of nations. Competition and the spread of global production networks will reward difference and drive divergence ...while in theory there are multiple responses available to firms when confronted with external stimuli or shocks, in reality the range of responses available is limited by their institutional context". Therefore, comparative study of UK and German systems provides a fertile ground to explore this proposition of convergence and or distinctiveness. It will be worthwhile to explore if these changes at the practice level are also being reflected in how firms in these varieties of capitalism would want themselves to be perceived. Given its longitudinal dimension, the study will also explore the presence or absence of the divergence-convergence argument current in comparative capitalism debate. Following from propositions 1 to 8 above, this research study proposes that:

Proposition 9: German and UK firms will remain distinct in those fundamental areas characteristic to their respective mode of economic governance (e.g.

labour relations) and converge on those indices that are driven by global discourses (e.g. customer relations)

Tied to these propositions is also the need to understand how patterns of corporate stakeholding salience (if any) are made manifest on the sector levels. Most of these institutionalist accounts tend to adopt a macro (national level) characteristic, which appears to suggest some kind of organisational field homogeneity within national institutional contexts. Whilst the introduction of comparative institutionalism perspective to the CSR literature is innovative and worthwhile, at least in wrestling CSR from the domineering grips of managerialist theorisations (Owen et al., 2000; Gray; 2002; O'Dwyer, 2002, 2003), it appears to under-emphasis possible heterogeneities that could exist within national institutional boundaries. These heterogeneities have been picked up by a related stream of literature that emphasises sectoral differences as main sources of variations of CSR practices (Gray et al., 1995a; Kolk, 2003; Griffin and Weber, 2006). The significance of sectors in accounting for corporate actions is also gradually permeating and unsettling the core tenets and foundations of national business systems and comparative capitalism, which are in orientation largely macro-centric. Scholars promoting the sector-based perspective argue that national business systems are not necessarily homogenous but are most of the time concatenations of heterogeneities, or at best 'models within models' (Deeg and Jackson, 2007:154), which "...may allow differential adoption of 'old' and 'new' business practices according to sectoral and firm-specific characteristics." (Deeg and Jackson, 2006:14).

An anchor for the sector-based argument is that some sectors are constitutively and uniquely trans-national social spaces[14]. As such, their practices cannot be fully accounted for by national institutional boundaries. In some instances, these transnational social spaces could be either more influential on corporate practices than national institutional contexts and vice versa. The oil and gas sector in Nigeria, for instance, is heavily driven more by global than local practices (Ite, 2004, 2005; Frynas et al., 2006; Frynas, 1999), since the major actors in the sector are MNCs who tend to retain their home country influences, albeit with slight modifications (Whitley, 1999a,b). In addition, sectoral differences could be as a result of degree of transnational competition (liberalisation) within a sector and or degree of State influence on a sector. The German and UK economies are different in relation to State involvement in the market and the sectors within them exhibit different

[14]Borrowing from Morgan (2001): "I take 'transnational space' to refer to an arena of social action distinct from that of the 'national' context. It is an arena of social interaction where the main modes of connection between groups cross national boundaries.... Transnational social space implies a more open-ended set of cross-border connections between multiple nodes in which the forms of interaction become more than simply the sum of interactions between different 'national' units; it constitutes an arena in which new social actors may emerge, which may be labelled 'transnational communities' (p.115).

transnational influences. While the UK runs on liberal market economy, Germany runs on coordinated market economy (Hall and Soskice, 2000). It is argued that the State is much more predisposed to intervene in coordinated market economies than in liberal market economies where the private actors take leading roles. However, the broad brush application of the typology could distract from industry level typologies that could cut across varieties of capitalism framework. For instance, there are some industries that attract significant national interests given their strategic positioning in the economy and or their likely impacts on the citizenry. Some of these industries include those in defence and the utility sectors – energy, electricity, post, telecommunication, water, transportation, et cetera. There are also sectors that are more transnational in nature than others (e.g. financial services sector). Following these distinctions, this research study proposes that:

Proposition 10a: Irrespective of national institutional characteristics, the higher the degree of liberalisation of a sector, the more a sector exhibits the core characteristics of the Liberal Market Economy (e.g. emphasis on shareholders and management stakeholder groups)

Proposition 10b: Irrespective of national institutional characteristics, the higher the degree of State influence on a sector, the more a sector exhibits the core characteristics of the Coordinated Market Economy (e.g. emphasis on employees and networks stakeholder groups)

Proposition 10c: Irrespective of national institutional characteristics, sectors with mixed degree of State influence and degree of competition, also exhibit *mixed characteristics of both Coordinated Market Economy and Liberal Market Economy*

However, the two streams of literature on the influences of national institutional boundaries and trans-national social spaces, respectively, on corporate actions, therefore, appear to be in constant contestation in accounting for variations of CSR practices, albeit with inconclusive outcomes – thereby suggesting some kind of interaction effects between characteristics of sector and national institutional contexts. It is expected that the unpacking of these configurations and interrelations will throw some light on understanding how stakeholder salience is not only a function of managerial discretion and rationality, but also is a factor implicated in the dynamics of both industry and institutional contexts.

4.6: Chapter Summary

The chapter makes a case for the data source and stakeholder groups chosen for this study. Given its choice of corporate social reports as its main source of data, the emphasis would be on ***what firms say they do through their social reports*** as opposed to what they actually do in practice. In this regard, the study problematises corporate social reports as discursive and communicative artefacts – with instrumental and strategic dimensions and objectives – from which corporate actions could be examined. It is anticipated that drawing attention to corporate social reports as primarily corporate communication artefacts will help in showcasing the relevance of using corporate social reports as a primary data source for this research study. Having established the relevance of corporate social reports for the study, research propositions are formulated along the lines of the varieties of capitalism analytical framework. The next couple of chapters will focus on both the theoretical and practical sides of the empirical methodology chosen to explore the outlined research propositions.

CHAPTER 5: METHODOLOGY I: PLACING CONTENT ANALYSIS WITHIN ITS THEORETICAL UNDERPINNINGS

5.1: Tone Setting

A key point of this study is that firms use corporate social reports to signal their stakeholder salience. As such it makes sense to study corporate social reports, not only as corporate social accountability artefacts – a characterisation that has become synonymous with corporate social reports – but also as corporate communication artefacts. One way of deconstructing communication (or media) artefacts, recognised in the extant literature, is through content analysis (Bell, 2006). Content analysis is, in the main, positivist in orientation and works from the perspective that social reality can be measured, quantified and subjected to systematic calculations for some insights that could contribute to body of knowledge. The use of content analytical method has become widespread in the social and management sciences, particularly in such areas as communications, marketing, visual sociology, anthropology, psychology and accounting studies. In this line of thought and practice, this research study, anchored on positivism, leverages content analytical methodology to arrive at its findings and conclusions. The reason for choosing content analysis is that it affords the researcher an opportunity to systematically abstract from the contents of the reports in a way that allows for the identification of manifest patterns in these reports (in this case patterns of stakeholder salience) through statistical analysis. Moreover, one of the key philosophies behind the use of quantitative content analysis as an empirical research tool is that volume and or frequency of disclosure signifies the importance of a disclosure (Deegan and Rankin, 1996; Gray et al., 1995; Krippendorff, 1980; Neu et al., 1998; Unerman, 2000; Bell, 2006). The research epistemology and ontology behind content analytical framework are discussed in the subsequent sections.

5.2: Research Epistemology and Ontology of Content Analytical Method

5.2.1: Content Analysis: Underpinning Research Epistemology

Krippendorf (2004:18) defines content analysis as "... a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use". In similar direction of thinking, Bell (2006:13) defines content analysis as "...an empirical (observational) and objective procedure for quantifying recorded 'audio-visual' (including verbal) representation using reliable, explicitly defined categories ('values' on independent 'variables'). Content analysis has a long history that dates back to the early days of philosophical enquiries in Greece. Although not in the scientific form it currently appears, it has been said to be prominent in the 1600s as a method of examining texts deemed to threaten the authority of the Church (Krippendorff, 2004). It was in the early 1900s that it entered mainstream scientific domain as a method of studying social phenomena. Although it was not directly associated to Max Weber, he was one of the early heralds of the method in contemporary times (Krippendorff, 2004). Content analysis is now widely used in such fields as psychology, sociology, literary studies, management, marketing, accounting and communication studies.

One of the fundamental philosophies of content analysis is that 'reality' is composed of interdependent but yet independent components that could be systematically studied to understand the whole. It also assumes that 'reality' is housed in language (expressed as texts, talks, images, signs and symbols, artefacts, etc) and manifests through language. As such, it pushes the perspective that the 'real' could be understood through lingual analysis. It therefore makes language its primary and focal point of analysis, and tends to emphasise the network structure or interconnectedness of reality. In the process, it assumes some structural equivalence within the network structure that enables it to abstract from the individualised properties of the structure to give a holistic account of the *uber*-structure. Commenting on this, Riffe et al (2005:67-68) write:

> ...content analysis is reductionist in approach. The content under study is divided into smaller elements and then analysed to draw conclusions about the whole. Therefore, no matter what content

> form an analyst selects to study, content must be reduced to units to measure it….A *unit of content* is a discretely defined element of content. It can be a word, sentence, paragraph, image, article, television program, or any other content elements with a definable physical or temporal boundary or symbolic meaning (emphasis in original).

It has been advanced that to be of pragmatic research value, content analysis needs to begin with some precise 'expectations' (e.g. propositions and hypotheses), which are usually comparative in nature (Bell, 2006). In other words, it is argued that "content analysis is used to test explicitly comparative hypotheses by means of quantification of categories of manifest content" (Bell, 2006:13). According to Bell (2006:14), typical research questions which may be addressed using content analysis include:

1. Questions of priority/salience of media content: how visible (how frequently, how large, in what order in a programme) different kinds of images, stories, events are represented?
2. Questions of 'bias': comparative questions about the duration, frequency, priority or salience of representations of, say, political personalities, issues, policies, or of 'positive' versus 'negative' features of representation.

3. Historical changes in modes of representation of, for example, gender, occupational, class, or ethically codified images in particular types of publications or television genres.

Content analysis has continued to gain currency in management and organisational research studies in the last couple of decades. Citing Kassarjian (2001:9), Hardy et al. (2004:19) state that content analysis as a mode of textual analysis is characterised by a concern with being objective, systematic, and quantitative. Continuing they explain that content analysis is said to be objective in the sense that the analytic categories are defined so precisely that different coders may apply them and obtain the same results; systematic in the sense that clear rules are used to include or exclude content or analytic categories; and quantified in the sense that the results of content analysis are amenable to statistical analysis.

Content analysis is not the only analytical method that has language as its focal point of analysis. The same could be said of discourse analysis, for instance. Hardy et al. (2004:19) describes discourse analysis broadly as "…a methodology for analyzing social phenomena that is qualitative, interpretive, and constructionist. It explores how the socially produced ideas and objects that populate the world were created and are held in place. It not only embodies a set of techniques for conducting structured, qualitative investigations of texts, but also a set of assumptions concerning the constructive effects of language". However, major differences between the two include their underlying assumptions, ontology and epistemology. While discourse analysis largely draws from interpretivism and social constructivism, content analysis often assumes that subjective views and interpretations of language could be significantly minimised through some objective criteria. In essence, discourse analysis comes from the view that reality is socially constructed while content analysis takes it that there is a reality out there to be understood. This significant approach to knowledge suggests that both discourse and content analyses would be significantly different in their relation to meaning, texts and contexts. For instance, content analysis has been criticised as "...the study of the text itself and not of its relation to its context, to the intentions of the producer of the text, or of the reaction of the intended audience" (Hardy et al., 2004:20). It has also been suggested that while discourse analysis assumes that meanings shift in relation to contexts and individuals, content analysis seems to assume some level of stability of meaning across contexts and individuals. These differences, however, do not imply that both could not be complementary. The differences and complementarities between the two approaches are further eloquently presented by Hardly et al. (2004) in the tables below.

Table 5-0-1: Differences between Discourse Analysis and Content Analysis (Hardy et al., 2004:21)

	Discourse Analysis	Content Analysis
Ontology	Constructionist – assumes that reality is socially	Realist – assumes that an independent reality exits

	Discourse Analysis	Content Analysis
	constructed	
Epistemology	Meaning is fluid and constructs reality in ways that can be posited through the use of interpretive methods	Meaning is fixed and reflects reality in ways that can be ascertained through the use of scientific methods
Data Source	Textual meaning, usually in relation to other texts, as well as practices of production, dissemination, and consumption	Textual content in comparison to other texts, for example overtime
Method	Qualitative (although can involve counting)	Quantitative
Categories	Exploration of how participants actively construct categories	Analytical categories taken for granted and data allocated to them
Inductive/Deductive	Inductive	Deductive
Subjectivity/Objectivity	Subjective	Objective
Role of context	Can only understand texts in discursive context	Does not necessarily link text to context
Reliability	Formal measures of reliability are not a factor although coding is still justified according to	Formal measures of intercoder reliability are crucial for measurement purposes; differences in

	Discourse Analysis	Content Analysis
	academic norms; differences in interpretation are not a problem and may, in fact, be a source of data	interpretation are problematic and risk nullifying any results
Validity	Validity in the form of "performativity" i.e., demonstrating a plausible case that patterns in the meaning of texts are constitutive of reality in some way	Validity is in the form of accuracy and precision i.e., demonstrating that patterns in the content of texts are accurately measured and reflect reality
Reflexivity	Necessarily high – author is part of the process whereby meaning is constructed	Not necessarily high – author simply reports on objective findings.

Table 5-0-2: Using Content Analysis within a Discourse Analytic Approach (Hardy et al., 2004:21)

Dealing with Meaning	There is no inherent meaning in the text; meanings are constructed in a particular context; and the author, consumer, and researcher all play a role. There is no way to separate meaning from context and any attempt to count must deal with the precarious nature of meaning.
Dealing with Categories	Categories emerge from the data. However, existing empirical research and theoretical work provide ideas for

	what to look for and the research question provides an initial simple [in original] frame.
Dealing with Technique	The categories that emerge from the data allow for coding schemes involving counting occurrences of meanings in the text. Analysis is an interactive process of working back and forth between the texts and the categories.
Dealing with Context	The analysis must locate the meaning of the text in relation to a social context and to other texts and discourses.
Dealing with Reliability	The results are reliable to the degree that they are understandable and plausible to others i.e. does the researcher explain how s/he came up with the analysis in a way that the reader can make sense of?
Dealing with Validity	The results are valid to the degree that they show how patterns in the meaning of texts are constitutive of reality.
Dealing with Reflexivity	To what extent does the analysis take into account the role that the author plays in making meaning? Does the analysis show different ways in which this meaning might be consumed? Is the analysis sensitive to the way the patterns are identified and explained?

The distinction between content analysis and discourse analysis is also akin to that sometimes made between qualitative content analysis and quantitative content analysis in the literature. While definitions of qualitative content analysis share similarities with discourse analysis, Riffe et al. (2005:3) defines quantitative content analysis as "...the systematic assignment of communication content to categories according to rules, and the analysis of relationships involving those categories using statistical methods". The emphasis here is on the use of statistical methods of analysis. It is also in relation to the manifest and latent aspects of content analysis. According to Riffe et al, quantitative content analysis deals with manifest content, by definition, and makes no claims beyond that (p.38). However, Krippendorff (2004), one of the leading figures in the field, criticises this seeming distinction between qualitative and quantitative methods of analysis in very strong words:

> I question the validity and usefulness of the distinction between quantitative and qualitative content analyses. Ultimately, all reading of texts is qualitative, even when certain characteristics of a text are later converted into numbers. The fact that computers process great volumes of text in a very short time does not take away from the qualitative nature of their algorithms: On the most basic level, they recognize zeros and ones and change them, proceeding one step at a time. Nevertheless, what... proponents call qualitative approaches to content analysis offer some alternative protocols for exploring texts systematically (p.16).

Krippendorff is not alone in this concern for the dichotomisation of content analytic methodology. Riffe et al. (2005:10) for instance, argue that "Content is itself the consequence of a variety of other antecedent conditions or processes that may have led to or shaped its construction", and as such, "... communication content may be viewed as an end product, the assumed consequence or evidence of antecedent individual, organizational, social, and other contexts. The validity of that assumption depends on how closely the content evidence can be linked empirically (through observation) or theoretically to that context" (Riffe et al., 2005:11). Although the two domains of text and context might appear logically independent, the researcher draws conclusions from one domain (the texts) to the other (the context) and vice versa (White and Marsh, 2006:27). In other words, context is also as important to the quantitative approach as it is to the so-called qualitative approach.

It has been argued that "Content analysis is crucial to any theory dealing with the impact or antecedents of content" (Riffe et al., 2005:39) and descriptive content analyses sometimes serve as a prelude to other types of research, often in domains not previously explored (Riffe et al., 2005:14). In addition, "Armed with a strong theoretical framework, the researcher can draw conclusions from content evidence without having to gain access to communicators who may be unwilling or unable to be examined directly" (Riffe et al., 2005:38). These are some of the attributes that make content analysis in its varied forms attractive to researchers when compared to other research methods and techniques. In this regard, Krippendorff (2004), for instance, reported that "As of August 2003, an internet search for "content analysis" using the Google search engine found 4,230,000 documents. In comparison, "survey research" turned up 3,990,000 hits and "psychological test," 1,050,000". He further concludes that:

> One could say that content analysis has evolved into a repertoire of methods of research that promise to yield inferences from all kinds of verbal, pictorial, symbolic, and communication data. Beyond the technique's initially journalistic roots, the past century has witnessed the migration of content analysis into various fields and clarification of many methodological issues (p.17)

5.2.2: Positivism as the underpinning Ontology of Content Analytical Method

The nineteenth century was the age of positivism borne out of the Enlightenment. One distinctive feature of the Enlightenment is its reliance on empirics (i.e. sense data) and logic, which became the hallmark of the modern scientific method. This was a significant break from preceding understanding of knowledge; and was both anthropocentric and anti-metaphysical in orientation. This epistemological revolution at the heart of the Renaissance project was mainly championed by such philosophers as Descartes, Bacon, Locke and Hume.

Noe (2001) stated that it was during the Scientific Revolution in the seventeenth century that classical positivism emerged and social sciences began to introduce the positivistic method. In the twentieth century, the Vienna Circle tried to realize the methodological unification between natural sciences and social sciences under the slogan of 'unified science'. Empirical observations and logical deductions came to be seen as the only legitimate sources of knowledge. Science and technology appeared to provide rational grounds for the establishment of a new social, moral and political order. Comte (1853), for example, argued that the development of all sciences followed from mathematics, through astronomy, the physical and biological sciences, and reaches their apogee in the rise of the social sciences. This understanding of the scientific method has persisted into the 21st century.

In this section, the influence and implications of positivism on and for broad management research – which this research study falls under – are examined. Emphasis will be more on early generation of positivism (e.g. Bacon, Descartes, Locke and Hume) with occasional reference to other generations of positivism. It starts by situating positivism in its academic cultural context and later examines its strengths and limitations in management research.

5.2.2.1: Scientific Method: Culture of Positivism

Positivism is also known as the 'natural-science model of social-science research' because it proceeds to implement, in social science, an image of how research proceeds in physics, biology, and other natural sciences (Ngwenyama and Lee, 1997). Like natural-science theories, social-science theories based on this model must conform to the rules of formal logic (of which the rules of mathematics are a subset) and the rules of experimental and quasi-experimental design. This is the essence of the scientific method.

Adi, Amaeshi and Nnodim (2007) explain that the scientific method is a manner of operation of the rational, ends-oriented subject. Fundamental to this scientific epistemology is the Cartesian thinking, "rational", subject that stands distinct from external, "social", objects (Schrieber, 2002). The cogitative power of the Cartesian subject is a foundational axiom of universal validity, and constitutes the necessary precondition for universally, valid truths. Thus, the method of science is an epistemology whose objective is to render the world intelligible. For this reason, modern science has been characterized as the "theory of the real" (Heidegger, 1977b). Adi et al (2007) further argue that the distinctive characteristics of the scientific method include objectification, mathematization/idealization, and research, as summarised below:

1. ***Objectification:*** This is the process by which the real is rendered countable, measurable and determinable. It involves representation, classification, quantification and measurement of objects of science. Representation is the manner in which the external object is apprehended by a knowing subject (Heidegger, 1977a). The knower

knows that which is present. That which is not "present" and cannot be "represented" in the manner of knowledge readily accessible to the subject, is not accountable. The consequence of this in the age of the scientific epistemology is that all fields of knowledge strive to represent reality as object and as data amenable to measurement and calculation.

2. ***Mathematization/Idealization:*** Beginning with Descartes, method, as in 'rules for the direction of the mind', came to be seen as the distinguishing characteristic of true science such that scientific method became in Cartesian formulation, the 'method of the real'. As a method aiming towards precision and exactitude, its major distinctions are measurement and calculation, which renders the scientific method mathematical. But mathematics, designating the system of logical relations between entities that are simple abstractions from concrete, material objects, derives its basis on matter that is subject to space and time, and is quantifiable.

3. ***Research and Experimentation:*** The simple, repetitive events of the natural and positivist sciences make research possible (Beck, 1949). Through the activity of research, science postulates theory which lays down rules regarding the manner of obtaining knowledge of reality and sets *a'priori* possibilities for the posing of research questions. Theory determines in advance what sort of question is posed for the real. Research proceeds by way of observation of reality in order to organise the facts so gathered in a schema that is pre-specified by the theory.

Conclusions are drawn from observations of interacting objects. Consistent results within a laboratory framework are used to provide evidence about the way things work. Thus, science is made possible by the prior hypothesis that inferences can be drawn from observation of particular objects to reveal universal characteristics about the world (Heidegger, 1977b).

5.2.2.2: Positivism: Implications for Management Research

Management study is, arguably, an applied social science. Since it draws heavily from the traditional social sciences of psychology, sociology, anthropology and economics, the implications of positivism for social sciences could be extended to management studies. However, it is worthwhile pointing out that there have been two (somewhat) competing commitments to doing management research: positivism and interpretivism. These commitments are both epistemological and methodological. While interpretivism is highly qualitative in approach, positivist studies generally attempt to test theory, in an attempt to increase the predictive understanding of phenomena. In the main, American management research leans more towards positivism while European management research is more driven by interpretivism (Cassell et al., 2005).

According to Crossan (2003, p.51), the implications of positivism for social research include:

- *Methodological:* research should be quantitative, and only quantitative research can be the basis for valid generalisations and laws
- *Value-freedom:* choice of what to study, and how to study it, should be determined by objective criteria rather than by human beliefs and interests
- *Causality:* identifying causal explanations and fundamental laws that explain human behaviour should be the aim
- *Operationalisation:* concepts need to be operationalised in a way that enables quantitative measurement of facts
- *Independence:* the researcher` s role is independent of the subject
- *Reductionism:* problems are better understood if they are reduced to the simplest possible elements

These implications occasioned by positivism have merits and demerits in relation to management research as presented below.

5.2.2.3: Merits of Positivism

The strengths of the positivist approach on management research could be appreciated from the following dimensions: a) the research, itself, b) the researched and c) the researcher.

The Research: Management research, like any other social research, is highly complex with interdependent relationships and configurations. This complexity of relationships can constitute strong barriers to researching management issues. Given that the positivist approach focuses on what is verifiable and falsifiable; it helps to set clear and unambiguous boundaries of research. It tends to simplify the 'world' and sets clear guidelines and procedures. In addition, the quantification of the data and statistical analysis convey credibility. Accordingly, Cassell et al., 2005 asserted that in a management environment, with an organizational emphasis on the "*bottom line*", numbers may be especially convincing. The essence of the formal procedure also includes ensuring replicability, which tends to ensure some degree of credibility and objectivity (not necessarily what is 'true') on research outcome.

The Researched: Unlike the interpretative approach, positivism offers more independence to the object of research. The researcher stands aloof from the object in a manner of disinterested observation (i.e. value freedom). This flows from the assumption that "...reality exists independently of the observer, and hence the job of the scientist is merely to identify...this pre-existing reality" (Easterby-Smith et al., 2002: 34), which is one of the hallmarks of the scientific method (Shapin, 1995). In dealing with the object of science, the subject (i.e. the researcher) is expected to apply only rules and procedures validated within the specific domain of scientific practice. These rules and procedures are themselves scientific in so far as they are independently verifiable and universally valid (Adi et al, 2007) to ensure objectivity and acceptability within the scientific community.

The Researcher: The positivist scientific method is likely to confer a significant degree of confidence on the researcher as long as the stipulated methodology of the research practice is rigorously followed. Since mathematics has become synonymous with modern sciences, to the extent that judgments of scientific rigor and merit is construed in terms of the perceived quality of a study's measurement (Heath and Chatterjee, 2004), it is an approach that has gained considerable legitimacy in academic practice and is much more favoured by most of the 'good' journals (Cassell et al., 2005). No doubt the positivist approach has become both a signalling and screening device for 'quality' research outputs on which the career development of the researcher is anchored. As such, the positivist approach is not only a mode of scientific enquiry but also a political tool to legitimate 'particular' academic practices. An understanding of this political dimension is likely to be 'the beginning of wisdom' for upcoming researchers in management.

5.2.2.4: The inevitable demerits of positivism – any way out?

The positivist approach, nevertheless, leaves traces of deficiencies. First and foremost, it can limit the scope of what could be investigated. Reality that is not reducible to quantifiable and calculable stuff is ignored and treated as irrelevant thus rendering to measurability the criterion for relevance. This difference between measurable and non-measurable things draws the line between what is regarded as truly "science" and "non-science" in the modern and contemporary epoch. Fields of knowledge where the object is not easily quantifiable in a calculable manner are dubbed "unscientific" and incapable of providing exact, valid and verifiable knowledge. To escape the derogation of "non-scientific" various disciplines strive to tune up to the "scientific" manner so conceived. Questions of metaphysics are of a different order of abstraction not related to objects of sense experience. Questions of ethics, justice, love, freedom, values, norms, and beliefs, et cetera. cannot be dealt with mathematically and hence, social scientism fares badly in these regard (Adi et al, 2007).

Notwithstanding the positivist's claims on value freedom, Carson et al. state that, as researchers, we "...can't detach ourselves due to our past experiences and preconceptions (Carson, et al, 2001: 13). The readiness with which matter easily gives-in to mathematical analysis confers science its ultimate power over reality and realizes the ambition "to render ourselves the masters and possessors of nature" (Heidegger, 1977b). Central to understanding this principle is the recognition that there is no pure observation. Every observation is based on some pre-existing theory or understanding. It is almost always possible to choose and select data that will support almost any theory if the researcher just looks for confirming examples. Unarguably, this has produced tremendous results in the natural and positivist sciences. In the social sciences, however, it does not enjoy comparable success since the positivist approach does not provide the means to examine social phenomena in an in-depth way (Crossan 2003).

In this regard, Lee (1991) argued that the difficulties of capturing social reality in formal propositions, quantifying it, and subjecting it to experimental controls, are said to be the reasons management research, like the rest of social science, has not yet reached the same level of scientific maturity that characterises natural science. Notwithstanding, it frequently happens that researchers in the social sciences, in faithfulness to the dictates of mathematization, measure, model, and apply things that are invalid and/or non-existent (Heath and Chatterjee, 2004). In order to minimise these identified pitfalls of positivism, it is suggested that management and social science research methodologies need to be broad and flexible given that their 'objects and subjects' of study are often imbued with rationality and are ever changing. Clinging solely to one side of the methodological divide tends to occlude possible insights that could have been provided by the other half. Building bridges across these epistemological and ontological divides is one of the suggested ways of advancing both management and the social sciences (Whitley, 1984a,b; Fuller, 1988; Wagner et al., 1991).

In relation to the content analytical scientism, in particular, it is important to point out that a common underpinning substance of content analytical method is its deductive philosophical orientation (Riffe et al., 2005) –

whether in its quantitative or qualitative approaches. And its research methods and techniques are not completely value-free (Darke et al., 1998; Appadurai, 1999; Hardy et al., 2001; Ritchie and Lewis, 2003; Johnson and Onwuegbuzie, 2004). In addition to its inclination towards deductivism, and in order to minimise the demerits of its positivist orientation, it is also fundamentally hermeneutic (meaning seeking/giving) in approach – i.e. it either gives context-driven meaning (qualitative) or finds reasons to give meaning to emerging patterns (quantitative) from empirical data analysed – and in so doing, minimises the demerits of positivism outlined above. In other words, and for example, how content analytical method is used is, also, to a large extent a reflection of the researcher's philosophical paradigm. As such, this research study adopts a complementary mixed method that seeks to give, as well as draw meanings from emergent patterns within specific different institutional contexts – i.e. organisational field (sectors) and country level contexts. This choice of method is also a reflection of the nature of the research questions and the data sources, as explained below.

5.3: Rationale for Mixed Methods Approach

Like most studies on social and environmental reporting (e.g. Jose and Lee, 2007; Cormier et al., 2005; Belal, 2002; Ball et al., 2000; Unerman, 2000; Gray et al., 1995a,b), this study adopts a content analysis research methodology. As earlier stated, content analysis "...assumes that an independent reality exists (and that) meaning is fixed and reflects reality in ways that can be ascertained through the use of scientific methods" (Hardy et al., 2004:21). One of the main philosophies behind the use of quantitative content analysis as an empirical research tool is that volume of disclosure signifies the importance of a disclosure (Deegan and Rankin, 1996; Gray et al., 1995a; Krippendorff, 1980; Neu et al.,1998; Unerman, 2000). It is the position of this research that stakeholder salience is a product of dynamic interactions between managerial perception and institutional structures. In other words, it could be seen as a socially constructed salience. At the same time, it could be structurally shaped by the institutional culture (i.e. accumulated social norms, values, expectations and regulations) in which they occur. While the former could be socially constructed in nature, it could equally be a mimesis of its institutions which could be inferred over time from dominant social requirements of the institutions in which they exist. It is assumed that corporate social reports will make collective latent meanings and constructions manifest over a period of time at an aggregate level. This assumption has also underpinned similar studies that have examined the emergence and patterns of social factors at the macro level, especially those rooted in documentary and or archival analysis (e.g. Unerman 2000; Schmidt, 2002, 2003; Greenwood et al., 2002; Suddaby and Greenwood, 2005; Suddaby et al., 2007; Phillips and Hardy, 2002; Phillips et al., 2004).

In line with Krippendorff (2004)'s position, it is difficult to separate texts from their contexts. This is particularly the case in the coding stage, at least. This is even more important where data sources comprise: texts, graphics and photographs – as in this study (details on these elements of the data sources used in this study are provided in subsequent chapters). Since the study is interested in mapping stakeholder salience across industries and countries, it is only sensible to code the texts, graphics and photographs in relation to the contexts in which they appear in corporate social report documents. It is also important to note that these texts, graphics, and photographs do not possess absolute meanings, but are interpreted and coded in line with the descriptions offered to them by the authors in the documents. This concern is reflected in the coding protocol developed for this study (see appendix). Commenting on the importance of the coding protocol in content analysis, Riffe et al. (2005:59) write: "The heart of a content analysis is the content analysis protocol or codebook that explains how the variables in the study are to be measured and recorded on the coding sheet or other medium". These meanings derived from the coding protocol then form the basis on which the later abstractions of stakeholder salience both at the organisational field and institutional levels are derived. Commenting on methods used for visual analysis, which include content analysis, van Leeuwen and Jewitt (2006:8) wrote: "Anyone who has actually tried these methods knows that there is a great deal more room for initiative and, indeed, inspiration than is sometimes acknowledged in the way these methods are described. These methods remain an *art of interpretation*, but *one that follows certain rules of accountability*" (emphasis, mine).

From the foregoing, it could be deduced that the interests in contextualised meanings abstracted from individualised components of social artefact to explain a whole (i.e. organisational field and institutional levels) is already implicated in the epistemology of deductivism, hermeneutics and discursive institutionalism. It also shows the positivist ontology of the study.

5.4: Chapter Summary

This chapter has attempted to situate positivism within its historical context, highlight some of its major tenets and reflect upon its positive and negative implications for management research. The message, therefore, is for management researchers to be aware of these implications while consolidating the positives and minimising the negatives possibly through triangulation (e.g. Lee 1991). Content analysis is also positioned as exhibiting interpretivist orientations that complement its positivist bent. However, the quest to minimise the negative implications of positivism for management research, and the social sciences in general, is one of the major projects of the post-positivist school of thought and lies outside the scope of this essay. The next chapter concentrates on how content analysis is applied in deconstructing the data sources on which this research study is anchored – i.e. corporate social reports – as reflectors of both national and sectoral institutional characteristics.

CHAPTER 6: METHODOLOGY II – APPLICATION OF CONTENT ANALYSIS TO CORPORATE SOCIAL REPORTS AS SOURCE OF EMPIRICAL DATA

6.1: Tone Setting

This chapter gives a detailed account of how the empirical data for the study are collated, coded and analysed. It creates a link between the previous chapter on the theoretical underpinnings of the methodology and the research findings and discussions in the next couple of chapters.

6.2: Corporate social reports as empirical data sources

The choice of corporate social and environmental reports is not arbitrary. As earlier mentioned, one of the reasons for choosing corporate social reports is because firms have recently adopted them as viable means of communicating to their multiple stakeholders. For instance, evidence of social reports as signals of stakeholder salience is a quote from Centrica's 2003 corporate social report – one of the major UK utility firms – in its Chairman's statement that: "What matters to you ... matters to us" (p.1). Corporate social reports have, nowadays, gone beyond mere accountability artefacts to become part of the corporate communication repertoire for image making and reputation building (Hooghiemstra, 2000). Even as a tool for accountability, it could be argued that it is possible to glimpse through such reports the accountability direction and stakeholder orientation of firms that use them. Most of these reports are designed to communicate messages from the management to the report receivers, who interpret the messages and respond in different ways (e.g. by investing in the company, pressing for care of the environment (Lotila, 2004:25), amongst others. In other words corporate social reports could be seen as embodiments of corporate stakeholder salience patterns of firms that produce them (Unerman, 1999/2000). To add more weight to the choice of corporate social reports as sources of data for this study, it has been found that both the UK and Germany have "...very high levels of sustainability reporting" (Kolk, 2003:283).

However, the study relies only on hardcopies of such corporate social reports. Whilst recognising the growing trend and shift in corporate practice towards web-based reporting the study avoids using web reports for the following reasons:

- Web-based corporate social reports are significantly different from hardcopies and often appear to offer inferior outputs (i.e. in terms of quality – e.g. some pictures/graphics are likely to be blurred) compared to hardcopies, even when printed.

- The hard copies as arranged and packaged by the companies are significantly different compared to internet copies
- The quality of a photograph and other visual symbols, for instance, is also implicated in the type and texture of the material in which they are printed. This materiality, which in most cases carry with it the image and identity of the producing firm, is usually lost on the internet and when printed from the internet; this idea of corporate image and identity embedded in the materiality of corporate documents was re-iterated in one of the researcher's informal conversations with a senior member of a *Fortune Global 500* organisation involved in the production of corporate social reports. According to this executive, most corporate reports and documents – corporate social reports, inclusive – have to meet certain specified criteria/ standards set by the corporate communication department of the firm, which comes across as a standard corporate communication practice to ensure harmonisation of corporate image and identity (Melewar and Saunders, 2000; Melewar, 2003; van den Bosch et al., 2004; Collin, Lee and Gilmore, 2004)
- Hardcopies of corporate documents abide longer than internet copies. They offer a lot more visual flexibilities than internet copies. For instance, they can be easily flipped over, turned, rotated and examined from different angles and positions. These functionalities are very much reduced on the internet

- Hardcopies of corporate social reports are also more easily amenable to 'manual' content analysis in the absence of any electronic aid, as is the case in this research study.

6.3: Sampling of firms for the research study

The study draws from corporate social reports produced by UK and German firms from 2000 to 2005. The firms chosen for the study are selected systematically to minimise bias in the research data. Some of these biases include company size, country/ region, listing status and industry, which previous studies had sought to control for as well (for example, see: Meek et al., 1995; Gamble et al., 1996; Griffin and Weber, 2006). To eliminate bias associated with size, profitability and global reach of firms, a list of top UK and German firms is drawn from the 2006 edition of *Fortune Global 500* companies list. The use of *Fortune Global 500* list and similar lists as selection indices and empirical sites is well established in the literature (e.g. Jose and Lee, 2007; Kolk, 2003). The *Fortune Global 500* is a ranking of the top 500 corporations worldwide as measured by revenue – which generally includes revenues from discontinued operations when revenues are reported on a consolidated basis; after-tax profits, assets, stockholders' equity, market value, and earnings per share of each company; as well as company's total return to investors, which considers the price appreciation and reinvested dividends of the most widely held or actively traded class of each company's stock[15]. The list is compiled and published annually by *Fortune* magazine. In the case of this research study, the list provided a means to set a boundary around the population drawn from.

The list produced thirty eight (38) UK firms and thirty five (35) German companies. Seventy three (73) firms were contacted for hardcopies of their social, environmental and sustainability reports[16] from 1994 to 2006, in the first instance. This was to enable the research to have a broader historical window to capture the possible dynamics of corporate stakeholder salience reflected through corporate social reports over time. However, majority of the companies, especially the German firms, did not have social reports prior to 2000 and where they did, they had run out of copies to send out and all attempts (including follow-up emails and phone calls) to secure such hardcopies failed. The list was further narrowed down to reports from 2000 to 2006 to increase the number as shown in Table A in the appendix section.

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[15] http://www.streetauthority.com/terms/f/fortune-500.asp and http://en.wikipedia.org/wiki/Fortune_500 accessed September 09, 2007

[16] The researcher included any other reports (e.g. personnel reports produced by some German firms) under the broad category of social reports as earlier defined in the introduction section of this paper. German firms have a practice of producing personnel reports and social reports separating. In such instances, these reports were merged in line with Ullmann's recommendation to focus on the "...reports' content... rather than the label put on them" (Ullmann, 1979:126)

Following this, the researcher further narrowed down the selection based on industry. This is mainly to reduce biases that could arise from industry differences, as it has been argued that corporate social responsibility varies from sector to sector (Griffin and Weber, 2006). Finally and after a matching process of availability of social reports across sectors in UK and Germany, the following sectors were randomly chosen in alphabetical order: Aviation, Financial Services and Utilities in order to control for extraneous variations as much as possible so that identified variations between sectors could be pinned down to differences in national institutional contexts. For instance, the firms in the aviation sector are in similar business. They are also privatised national carriers of UK and Germany, respectively. It could be argued that the companies dominate the airline industry in the respective countries. They are also listed on the *Fortune Global 500* companies in the period covered by this study.

6.4: Data collation and varieties of media disclosures of stakeholder salience

There is a rich literature on what firms disclose in their social reports and the manner they represent these disclosures – e.g. in terms of narratives, visuals, graphs and quantities – (Gray, 2002; Gray et al., 1995a,b; Unerman, 2000). Text and narrative disclosures are prominent in the extant literature leveraging content analytical method. The use of words as units of analysis, for example, has been employed by a number of studies (see for example

Deegan and Gordon, 1996; Deegan and Rankin, 1996; Wilmshurst and Frost, 2000; Campbell, 2003; Hartman et al., 2007). Some of these work on the assumption that "...words are the smallest unit of measurement for analysis and can be expected to provide the maximum robustness in assessing the quantity of disclosure" (Wilmshurst and Frost, 2000:16) and simultaneously tend to suggest that "...by counting words, which are the smallest possible units of analysis, maximum robustness to error in calculating quantity is achieved" (Deegan and Gordon, 1996:189). These orientations and assumptions towards words, as texts, are also extended to other text formats such as sentences (Ingram and Frazier, 1980; Gray et al., 1995b; Hackston and Milne, 1996; Williams and Pei, 1999; Milne and Adler, 1999) and paragraphs (Guthrie, Petty and Yongvanich, 2004) and pages of documents (Trotman, 1979; Guthrie, 1982). Whilst these orientations and assumptions offer some pragmatic empirical value, the over reliance on texts expressed through words, sentences, paragraphs and pages, amongst others, in content analysis of documents have been critiqued to often tend to restrict attention to these and at the same time distract attention from other useful textual formats such as photographs and images. The marginalisation of photographs and images, for instance, as units of content analysis has been in recent times identified as one of the major drawbacks in the literature (Milne and Alder, 1999; Unerman, 2000). Photographs, for instance, and other forms of textualisation are claimed to be complements – as opposed to alternates – and realise their meanings and messages in conjunction with one another (Unerman, 2000; Frost and Wilmshurst, 2000; Preston and Young, 2000; Guthrie, Petty and Yongvanich, 2004; Guthey and Jackson, 2005; Davison, 2007).

However, unlike most of these studies which tend to focus exclusively on textual or narrative disclosures and structure of the report, this research study also includes a focus on pictures and charts contained in these reports, which often are marginalised in such studies (Unerman, 2000). Continuing, Unerman (2000) argues:

> A strong argument against measuring CSR in terms of numbers of characters, words or sentences is that this will result in any non-narrative CSR disclosures (such as photographs or charts) being ignored. Any unit of measurement which cannot take account of graphs, charts or photographs will omit from the CSR study these potentially powerful and highly effective methods of communication (Beattie and Jones, 1992; 1994; Preston et al., 1996). It could even be argued that photographs are sometimes a more powerful tool in CSR than narrative disclosures for stakeholders who do not have either the time or inclination to read every word in the annual report and just flick through it, looking at the pictures and possibly reading the chairman's statement. As one of the main assumptions behind the use of quantitative content analysis as an empirical research tool is that volume of disclosure signifies the importance of a disclosure (Deegan and Rankin, 1996; Gray et al., 1995a; Krippendorff, 1980; Neu

et al., 1998), it seems incongruous to omit counting the volume of disclosure allocated to anything other than words and numbers.

It is expected that the pictures and charts contained in these reports are not used arbitrarily by these firms and as such are intended to communicate to some 'targeted' audience. This further suggests that it could be deceptive to isolate these data sources as each of them could be used towards some stakeholders and not all. This thinking could also be inferred from the different functions of different parts of annual reports – "the cover of an annual report often begins the theme, which will be carried throughout the narrative, even in the executive letter to shareholders and CEO photograph. With familiar products, the signs used on the cover may tap rich cultural meanings. For example, the sign of the traditional Coke bottle is part of the theme of past, present, and future used in the Coca-Cola 1996 annual report and on the cover of the 1997 annual report and resonates with most audiences who recall pleasant interludes of relaxing with a Coke." (David, 2001: 208). In addition, the shortcomings of each of the data sources is minimised and their predictive robustness enhanced when they are combined. In a similar understanding of the relevance of photographs in corporate reports, Anderson and Imperia wrote:

> "Photography in a firm's annual report serves a number of purposes. Pictures are the best way to show stockholders what the company's plants, products, employees, customers, and

managers look like (Beveridge, 1963:180-181). Quality photographs help personalize what otherwise might be seen as an impersonal entity (Rivelli, 1984) and project images to tell a story far more memorable than any text or chart (Hershman and Knecht, 1981)" (Anderson and Imperia, 1992:114)

Still on the relevance of photographs in corporate communication and from a practitioner's perspective, the RWE Group – one of the major utility firms in Germany – stated in its 2004 Personnel Report that: "Pictures are the perfect way to describe the RWE Group's diversity in people and individual activity" (p.2). In addition, "narratives are giving way to pictorial forms, with an increasing emphasis on product-related matters designed to influence stakeholders" (Stanton and Stanton, 2002:479) and according to Sid Cato, the annual report is "the ultimate edited statement of how a company wishes to be perceived. The annual report is a corporate Rorschach test" (quoted in Gallant, 1988:68) (quoted in Anderson and Imperia, 1992:114).

The use of photography and other visual artefacts in social research has blossomed in such areas as visual sociology and anthropology as well as in social psychology. Although photography as a source of research data has been around in the social sciences for more than 5 decades, it is still at the periphery in management and organisational studies (Guthey and Jackson, 2005; Preston and Young, 2000). This seeming lack of attention to photography and the visual as sources of research data in management and organisational studies shows the attraction of management and organisational studies scholars towards textualised data (Preston et al., 1996). However, it has been argued and emphasised that photographs offer rich perspectives to understanding reality, including organisational practices, by providing 'a large stock of knowledge about everyday life in organizations' (Strati, 2000:54).

Photography and the visuals as sources of empirical data are gradually penetrating management and organisational studies research. This sort of data collection method is beginning to find expressions in such fields as accounting and marketing. Goffman (1979), for instance, examined the use of photographs in annual reports to reflect gender issues in the workplace. Building on Goffman (1979) and using photographs as well, Dougherty and Kunda (1991) studied 5 American-based computer firms and how they represented their relationships with their customers in visuals. In a similar direction, Anderson and Imperia (1992) leveraged photographs to comparatively analyse the visual representations of men and women in corporate annual reports. The growing trend in the use of photographs, and other visual artefacts, in the study of management and organisational studies is in emerging recognition of the 'centrality of photographs to the project of corporate legitimization' (Guthey and Jackson, 2005:1065). Preston et al. (1996) suggest three different 'ways of seeing' that could inform analysis of organisations and organisational practices in photographs and other visual media. According to them,

> ... The first way of seeing... is premised upon the notion that images are a transparent medium of communication through which corporations send messages to investors and the public. The second way of seeing is concerned with decoding deeply embedded social significances brought to the image by the photographer/designer as well as the viewing subject.... A final way of seeing recognizes the multiple, contradictory, shifting, and equivocal meanings that the designer and viewing subject may bring to pictures... (p.115)

Drawing from van Leeuwen and Jewitt (2006:4)'s *Handbook of Visual Analysis*, the first way of seeing suggested above by Preston et al., could be aptly described as the use of photography as *repository of records* while the other two ways of seeing represent photography as a *means of social construction*. The few instances in which photography has been used in management and organisational studies have employed mixed research methodologies, which could be either quantitative, qualitative of both in some cases. In other words, the 'way of seeing' adopted in a case would be influenced by the epistemological bent of both the research and the researcher. While accepting that the three ways could be used to the researchers' methodological inclinations, the first 'way of seeing', according to Preston et al. (1996), could be argued to have greater tendency of lending itself easily to quantitative methodologies than the other two, which are more adaptable to qualitative and interpretative methodologies, in stead.

Given the interest in pictures and graphics, together with interests in words, sentences and paragraphs and pages, as units of analysis, this research study ensures that hardcopies of corporate social reports were obtained from the firms included in this study. With regards to the textual analysis performed, the study focused mainly on the analysis of texts contained in Chairmen Statements and or any other Statements from Management and also on texts associated with photographs and other graphic symbols included in the study. The robustness of this combination of pictures, texts from Chairmen Statements and graphs is aptly supported by Unerman (2000) who argued that "...photographs are sometimes a more powerful tool in CSR than narrative disclosures for stakeholders who do not have either the time or inclination to read every word in the annual report and just flick through it, looking at the pictures and possibly reading the chairman's statement" (p.675). The firms resulting from the matching process generated a cumulative total of three thousand eight hundred and twenty two (3,822) pages of corporate social reports, which yielded one hundred and twenty five (125) pages of chairman statements, one thousand eight hundred and thirty three (1,833) number of graphics and two thousand nine hundred and eighty six (2,986) images. Each of these data units, together with their associated frequency of disclosure, serves as an index of corporate stakeholder salience since like most studies on social and environmental reporting (e.g. Jose and

Lee, 2007; Cormier et al., 2005; Belal, 2002; Ball et al., 2000; Unerman, 2000; Gray, 1998; Gray et al., 1995a,b), the volume of disclosure signifies the importance of a disclosure (Deegan and Rankin, 1996; Gray et al., 1995a; Krippendorff, 1980; Neu et al., 1998) – see previous chapters for details on the epistemology and ontology of content analysis and its relevance for this study.

6.5: Development of coding scheme for data collation

As typical of content analytical method, the research study develops a coding guide to drive collation of data. The guide is presented in the appendix (Table B). It lists criteria for interpreting the units of analysis including pictures, charts and texts. These units of analysis were related to each of the stakeholder groups chosen for the study with the criteria presented in the appendix. The development of the coding scheme ensured that the two following important conditions are met: (1) construct validity and (2) scale reliability of the coding scheme.

6.5.1: Construct Validity of empirical data coding schemes

The major construct of concern of this research study is 'stakeholder salience'. The concern here is not with the definition of the stakeholder construct – which has been eloquently addressed in the literature (see literature review section) – but more to do with operationalising the construct and capturing it through corporate social reports. Here, again, corporate social reports are articulated both as communicative and accountability arfetacts and as such, they communicate and reflect accountability to different constituent stakeholder groups. The key word here is the ability of corporate social reports to reflect or signal stakeholder salience (and accountability) as opposed to whether that happens in practice or not. It is worthwhile to keep in mind that this research study is more interested in how the firms represent their stakeholder salience as opposed to what they do in practice. Operationally, therefore, in this study, stakeholder salience is defined as the importance accorded to each stakeholder group by the reporting firms, through their corporate social reports. This importance (i.e. salience) is gauged by the frequency of representation through the major communication media of a textual report – i.e. images, graphics, and texts (Deegan and Rankin, 1996; Gray et al., 1995a; Krippendorff, 1980; Neu et al., 1998; Unerman, 2000). The idea of measuring importance through frequency of representation is core to the content analytic method (Unerman, 2000; Bell, 2006). It is primarily based on the theory of association of ideas and the principle that the more an artefact is presented or mentioned, the more likely that people would associate the artefact to the presenting medium. This understanding has gained a meaningful currency in such disciplines as marketing, advertising, corporate communications as well as psychology and accounting.

In their study of environmental reporting practices of a sample of 20 Australian companies which were subject to successful prosecution by the New South Wales, and Victorian Environmental Protection Authorities, during the period 1990-1993, for example, Deegan and Rankin (1996:50) found that "...*the amount* of positive environmental information significantly outweighed the negative environmental information presented", which "...raises issues as to whether information about a proven environmental offence is "material" to account users and, if so, whether financial statements could be construed as being misleading in the absence of such information" (emphasis, mine). In a similar vein, Hyland (1998:224) explores how CEOs attempt to influence readers and project a positive personal and corporate image in company annual reports, by comparing the frequency and distribution of metadiscourse in CEOs' letters and directors' reports taken from the same annual reports. There is also a link between frequency and memory recall (Newell and Henderson, 1998; Hyun, 2003). Newell and Henderson (1998)'s study, for instance, investigates the effects of length, frequency and pod placement on advertising recall in a non-laboratory setting and concluded that length and frequency positively and significantly influence advertisement recall. Notwithstanding the link between frequency and importance can be mediated by other factors including attention (Mackenzie, 1986) and cultural differences (Pornpitakpan, 2004). The dominant view adopted in this study is that frequency of representations of any stakeholder group in corporate social reports is designed to signal stakeholder importance (salience); and as such, the validity of the coding scheme is, therefore, implicated in the ability of the coding scheme to capture these frequencies of representations of specific stakeholder groups as signalled through corporate social reports.

Cronbach and Meehl (1955) identified four types of validity studies: predictive validity, concurrent validity, content validity, and construct validity. On one hand, Cronbach and Meehl (1955:282) consider the first two together as criterion-oriented validation procedures where "...the investigator is primarily interested in some criterion which he wishes to predict. He administers the test, obtains an independent criterion measure on the same subjects, and computes a correlation. If the criterion is obtained some time after the test is given, he is studying *predictive validity*. If the test score and criterion score are determined at essentially the same time, he is studying *concurrent validity*" (emphasis in original). On the other hand, they argue that content validity "...is established by showing that the test items are a sample of a universe in which the investigator is interested. Content validity is ordinarily to be established deductively, by defining a universe of items and sampling systematically within this universe to establish the test". Broadly speaking, then, construct validity "pertains to the degree of correspondence between constructs and their measures" (Peter, 1981:133). It is "...the extent to which an operationalization measures the construct it is supposed to measure" (Pennings and Smidts, 2000:1338); and it is "... ordinarily studied when the tester has no definite criterion measure of the quality with which he is concerned, and must use indirect measures" (Cronbach and Meehl, 1955:282).

The literature is fraught with so many labels and discussions of validity types (Brackett and Mayer, 2003) that lie way beyond the scope of this study. Given the nature of the research question of this study and the absence of any prior existing scales for measuring stakeholder salience, especially as signalled through corporate social reports, the test for construct validity is considered to be most appropriate of the four type of validity studies list above for this research study. The establishment of construct validity is basically to ensure that what would be coded for in corporate social reports truly captures the essence of stakeholder salience in these reports. Given that the research study is mainly interested in the *representation* of stakeholder salience in corporate social reports, it systematically relied on face validity technique to confirm construct validity. In order to ascertain the construct validity of the coding scheme, it was written up and sent to 10 leading scholars in social accounting, corporate social responsibility and stakeholder management in Europe and North America – first, because corporate social reporting and research are prominent in these two continents and second, because the study focuses on European institutional contexts. It was also informally discussed with practitioners in corporate communications functions, and specifically where such functions have significant corporate social responsibility and or stakeholder engagement activities, at conferences, private meetings and other similar gatherings. This was mainly to test for the face-validity of the coding instrument[17].

6.5.2: Reliability (Inter-coder reliability) of empirical data coding schemes

Reliability is complementary to construct validity in social science studies. It basically seeks to ascertain how consistent a scale is in measuring what it purports to measure (Watson et al., 1988). In line with the demands of the content analysis methodology, the study conducted series of coding reliability checks. According to Lombard et al (2002:589), "Intercoder reliability is the widely used term for the extent to which independent coders evaluate a characteristic of a message or artifact and reach the same conclusion." This is to ensure that the coding instrument is consistent with its measurement objectives. The reliability check was conducted at different intervals in the coding process. In the first instance, the researcher engaged another graduate research student who has experience of conducting content analysis of this nature at the earliest stage of the coding process. The

[17] Both scholars and practitioners provided very positive and useful feedback. For instance one of the scholars wrote back: "I think it is a neat idea and you should try to publish it" (North American Scholar, email) and another wrote: "I have had a chance to quickly go through your paper. The methodology looks very interesting and innovative" (European Scholar, email). And a practitioner came back with this feedback: "Your research sounds very interesting!" (Practitioner, email – June 8, 2007).

research student randomly selected from the data coded by the pilot phase of this study. The coded results from this were compared to data from same coded social reports for the pilot phase of this research. Although Pi (π) coefficient analysis would have been appropriate for inter-coder reliability analysis between two coders (Krippendorff, 2004; Krippendorff, 2007 – July 23, 2007 personal email to the author), the comparison was based on Krippendorff α and not Pi (π), given the small sample size involved. This is an appropriate measure in this case because according to Krippendorff (2004:419):

> Pi (π) and α differ in one respect: in the factor n/(n-1), which is recognizable in α and not in π. Here, n is the total number of categories used to describe all units by all coders. This factor corrects α for the effects of small sample sizes and few coders. Numerically, α exceeds π by (1- π)/n. As sample sizes increase, the factor n/(n-1) converges to 1, the difference (1- π)/n disappears, and π and α become asymptotically indistinguishable (Krippendorff, 2004:419).

In addition, Krippendorff α is much more suited to ratio scales than pi (π). In a personal email exchange with the researcher, Krippendorff (2007) wrote:

> I should like to say that the "number of photographs" does not constitute a nominal scale. Pi (π) would not be powerful enough to capture agreements due to what is in fact a ratio scale. The α for the

ratio metric would be appropriate in this case (Krippendorff, 2007 – July 23, 2007 personal email to researcher).

The inter-coder reliability analysis involved all the thirty-two (32) variables coded for (see Data Coding and Analysis section below). The comparison yielded inter-coder reliability coefficient indices along the different variables as shown in the table below. These indices were computed with the PRAM (Program for Reliability Assessment with Multiple Coders) software - version 0.4.5[18] – and adjustments made to the Pi (π) figures to derive Krippendorff coefficients. Areas of disagreements in the two coding results were as a result of coder oversight and subjective interpretations of photographs, which were further resolved by the researcher/graduate student.

Table 6-0-1: Inter-coder Reliability Table

	Coder Pair			
Variables	**(1,2)**	**Pi (π)**	**(1- π)/n**	**Alpha (α)**
Year	1.00	1.00	0.00	1.00
Document pages	1.00	1.00	0.00	1.00
Photos (total)	1.00	1.00	0.00	1.00
Graphics (total)	1.00	1.00	0.00	1.00
Logos	1.00	1.00	0.00	1.00

[18] http://www.geocities.com/skymegsoftware/pram.html visited July 23, 2007

Variables	Coder Pair (1,2)	Pi (π)	(1- π)/n	Alpha (α)
Logos within	0.81	0.81	0.01	0.82
Signatures	1.00	1.00	0.00	1.00
Chairman Statement -Pages	1.00	1.00	0.00	1.00
Chairman Statement -paragraphs	0.85	0.85	0.01	0.86
Employee photos	0.86	0.86	0.01	0.87
Networks photos	0.86	0.86	0.01	0.87
Shareholders photos	0.81	0.81	0.01	0.82
Environment photos	0.88	0.88	0.01	0.89
Community photos	0.86	0.86	0.01	0.87
Consumers photos	1.00	1.00	0.00	1.00
Management Photos	0.88	0.88	0.01	0.89
Employee graphics	0.82	0.82	0.01	0.83
Networks graphics	1.00	1.00	0.00	1.00
Shareholders graphics	0.87	0.87	0.01	0.87
Environment graphics	0.88	0.88	0.01	0.89
Community graphics	1.00	1.00	0.00	1.00
Consumers graphics	1.00	1.00	0.00	1.00
Management graphics	0.85	0.85	0.01	0.86
Chairman Statement -employees	0.86	0.86	0.01	0.87
Chairman Statement -Networks	0.84	0.84	0.01	0.85
Chairman Statement -shareholders	0.88	0.88	0.01	0.89
Chairman Statement -environment	0.88	0.88	0.01	0.89

	Coder Pair			
Variables	**(1,2)**	**Pi (π)**	**(1- π)/n**	**Alpha (α)**
Chairman Statement -community	0.86	0.86	0.01	0.87
Chairman Statement -consumers	0.85	0.85	0.01	0.85
Chairman Statement -management	0.88	0.88	0.01	0.89
Average	**0.91**	**0.91**	**0.00**	**0.91**

Another inter-coder reliability analysis was conducted at the final phase of the coding process. Given the likelihood of the researcher's coding changing over time due to new insights from the coding experience (Riffe et al., 2005; Lombard et al., 2002), the researcher recoded a randomly selected sample of earlier coded reports for some reliability check. The second inter-coder reliability analysis and the researcher's self recoding analysis, yielded overall reliability coefficient of .95 and .94, respectively. Although there are no established standards for determining what constitutes an acceptable level of reliability (Lombard et al., 2002), "... coefficients of .90 or greater would be acceptable to all, .80 or greater would be acceptable in most situations, and below that, there exists great disagreement" (Neuendorf, 2002: 145). In this regard, it is appropriate to conclude that both indices are very high, which therefore shows that the coding instrument was consistently deployed.

6.6: Coding and Analyses of Empirical Data

In all, the corporate social reports of the firms used in this study from 2000 to 2006 – which resulted to a total of three thousand eight hundred and twenty two pages of report (3,822) – generated a cumulative total of two thousand nine hundred and eighty six (2,986) images, one thousand eight hundred and thirty three (1,833) graphics, and one hundred and twenty five (125) pages of Chairman (management) Statement (CS) and eight hundred and seventy two (872) paragraphs of these Chairmen (management) Statements. A country breakdown of these figures is presented in table 2.

Table 6-0-2: Country Breakdown of data sources[19]

	Report Pages	Number of Images	Number of graphics	Pages of CS	CS paragraphs
UK					
Aviation	196	97	226	6	60
Financial services	618	792	366	26	208
Utilities	460	329	242	24	192
Total	*1,274*	*1,218*	*834*	*56*	*460*
Germany					
Aviation	531	691	299	11	86
Financial Services	1,088	521	316	33	217

[19] For breakdown of number of observations per firm-year, see appendix (p.355)

Utilities	929	556	384	25	109
Total	*2,548*	*1,768*	*999*	*69*	*412*
Grand Total	3,822	2,986	1,833	125	872

The identified corporate social reports were then rigorously coded page to page, image to image; graphics to graphics and paragraphs to paragraphs, based on the criteria provided in the appendix and along 32 variables (see table 6.3 below). In other words, each corporate social report was content analysed 32 times for each of the variables below. The coding was done manually since the study is based on hardcopies of social reports. Moreover, some of the popular qualitative coding computer packages, like the NVivo, are not easily compatible with the data coding and collection process chosen by this study. And it took approximately 8 month-man-hour for an individual researcher to manually code these social reports along the chosen variables.

Table 6-0-3: 32 Variables coded for in each of the social reports

1. Company	2. Signatures	3. Consumers photos	4. Management graphics
5. Country	6. Pages of Chairman (management) Statement	7. Management Photos	8. Employees in Chairman (management) Statement
9. Year	10. Paragraphs within	11. Employee	12. Alliances in Chairman

	Chairman (management) Statement	graphics	(management) Statement
13. Doc-pages	14. Employee photos	15. Alliance graphics	16. Shareholders in Chairman (management) Statement
17. Photos (total)	18. Alliance photos	19. Shareholders graphics	20. Environment in Chairman (management) Statement
21. Graphics (total)	22. Shareholders photos	23. Environment graphics	24. Community in Chairman (management) Statement
25. Standalone Logos	26. Environment photos	27. Community graphics	28. Consumers in Chairman (management) Statement
29. Logos within pictures	30. Community photos	31. Consumers graphics	32. Management in Chairman (management) Statement

Coding the data was just a first step in the series of other analytical steps. Due to the complexity involved in unpacking the infinite web of possible stakeholders, the research study limited its enquiry to the conventional stakeholder groups often mentioned in the literature – employees, suppliers, investors (shareholders), local community, the environment and management. The research study acknowledges that special attention could likely be paid more to the environment and local communities than any other stakeholder groups, since these are usually the focus of social and environmental reports. The study factors-in this understanding in the data analysis. It also recognises that pages of reports, number of pictures and graphics contained in each could be another source of bias to the outcome of the study. In order to mitigate this, data generated were harmonised (ratio-ed) to ensure comparable analysis (see the next chapter for details of this data harmonisation process). The use of data ratios in this format is recognised in the literature. Riffe et al. (2005:84), for instance, explain:

> In some situations, ratio data can be created from a nominal classification system when the ratio of units in some category to all units is calculated. For example, Beam (2003) studied whether content differed between groups of newspapers with strong and weak marketing orientation. Beam classified content units (self-contained units that could be understood independently of other content on the page) into a variety of categories for topic and type of item. Beam then calculated the percentage of content units within the various categories (e.g., content about government or the "public sphere") and compared the percentages for strong market-oriented newspapers with the percentages of weak market-oriented newspapers. This transformation of nominal data to ratio data was used because the number of content units varies from newspaper to newspaper, usually based on circulation size. A ratio measure allows one to compare relative emphasis regardless of number of units. .... One advantage of using ratio-level measures with content analysis is that they allow the use of more sophisticated statistical procedures.

It is also important to note that a single picture can yield more than one outcome of a dominant stakeholder theme – for instance a picture could both be interpreted as signalling employees and suppliers, respectively. A good example of this is the case of a photograph used by Commerbank on the cover page of its 2005 report – reproduced below, which could be coded for the following stakeholder groups: shareholders (because it uses monetary representation), the environment, employees and the society (because it symbolises these other stakeholder groups, albeit wrapped in monetary representations). Given that photographs could covey multiple meanings, these differences were taken into consideration during the coding process. Commenting on this approach, Riffe et al. (2005:67) wrote:

> Because of the shared meaning of so many commonly used words, written text may in effect provide within-message cues that can serve to reduce ambiguity ... (however)... visual communication can create analysis problems because of ambiguities that are not easily resolved from within the message itself. For instance, a text description of someone can easily reveal age with a number: John Smith is 35. A visual representation of that same person becomes much more vague.

In such instances and to overcome the difficulties of data ambiguity, the study follows the firm's signals of salience, either as expressed in texts, visuals or combination of both (Collier, 2006; Lister and Wells, 2006; Bell, 2006).

Figure 6-0-1: Example of Multiple Stakeholder Representations in Photographs

Commerzbank (2005)

6.7: Advancing research study validity and reliability through data analysis and methodological triangulations

Triangulation is employed in order to further enhance the validity and reliability of the expected outcomes of the research study. Denzin (1978:291) provides a broad definition of triangulation as "...the combination of methodologies in the study of the same phenomenon". Triangulation is a research methodology metaphor that owes its origin to navigation and military science, which depend on multiple reference points to locate an object's exact position (Jick, 1979). Its application in the social sciences is traceable to Campbell and Fiske (1959) who argued that "...more than one method should be used in the validation process to ensure that the variance reflected that of the trait and not of the method" (Jick, 1979:602). In other words, the convergence or agreement between two methods "...enhances our belief that the results are valid and not a methodological artefact" (Bouchard, 1976:268).

The research study triangulated on both data collation methods and data analysis techniques, which enables the research study to further test for internal consistency (reliability of the data sources) and external validity of same, respectively (Jick, 1979). The data collation methods triangulated are (1) content analysis of social reports (primary data source) and (2) survey of firms (secondary data source). And the data analysis techniques triangulated are (1) correspondence analysis, (2) chi-square statistic and (3) multivariate analysis of variance, as illustrated in the table below. Although detailed descriptions and rationales for each of these techniques are offered in the next chapter, it is expected that "... the weakness in each single method will be compensated by the counter-balancing strengths of another" (Jick, 1979:604)

Table 6-0-4: Statistical Methods Triangulated

	Correspondence Analysis	Chi-square statistic	Multivariate Analysis of Variance
Content analysis of Fortune Global 500 corporate social reports	☑	☑	☑
Survey of Fortune Global 500 firms	☑	☒	☑

As already stated, the primary data source of this research study is corporate social reports. In order to further substantiate the validity of data drawn from corporate social reports, the researcher administered an online survey to all the 73 firms in the sample frame, which basically asked them to simply rank the identified stakeholders used in the study in their order of importance (i.e. salience) to the firms – through a forced ranking order. A sample of the online survey questionnaire is presented in the appendix section of this thesis. The idea behind this forced ranking order is to identify possible patterns of stakeholder salience in the different institutional and sectoral contexts and see how they compare to those generated from corporate social reports. Similarity in patterns will confirm the validity of both sources of data while dissimilarity may either suggest low validity and or suggest incongruence between corporate 'talk' (survey) and 'text' (corporate social reports) (Dore, 2000).

The online survey was emailed to senior executives of all the 73 firms (38 UK and 35 German firms) in our sample, who are involved in corporate social responsibility, governance and or accountability, to further enhance and augment the robustness of the conclusions reached from the corporate social report data of the 3 main sectors of the study – Aviation, Finance and Utilities. The table below shows the response rate of the online survey. The survey recorded a total response rate of 61% (63% and 57% for UK and Germany, respectively). Attempts to get Lufthansa and British Airways to respond to the survey, unfortunately failed. As a result, there is no representation of the Aviation sector in the online survey data. However, this lack does not significantly subtract from the aims and objectives of the study as data from Other Sectors adequately compensate for those of Aviation sector. Moreover, the initial 3 sectors were randomly selected, which – following basic statistical principles – suggests that the behavioural characteristics of the other sectors should at least be able to reflect the general characteristics of the population they are drawn from (Hair et al., 2005).

Table 6-0-5: Online Survey Response Rate

	Finance	Utilities	Others	Total and Response Rate (%)
Germany	3	5	12	20 (57%)
United Kingdom	2	6	16	24 (63%)
Total	**5**	**11**	**28**	**44 (61%)**

With regard to triangulation of data analysis techniques, the research study first started with correspondence analysis. Once it established possible stakeholder salience patterns, it then ran simple chi-square to test for the extent of interdependency between emerging stakeholder salience patterns, national and sectoral contexts, respectively. After that, it then ran multivariate analysis of variance in order to test for directional differences. The three data analysis techniques are applied to corporate social report data (as primary source of data), while only the correspondence analysis and multivariate analysis of variance are applied to online survey data mainly for validation purposes.

6.8: Chapter Summary

This chapter is an application of the methodological theory of content analysis started in the previous chapter. The chapter has presented the data sources and how data were generated for this study. It has also presented some justifications for the choices made in both coding and analysis of data in line with the philosophical tenets of content analytical method. In the same vein it places emphasis on the triangulation of both data collation methods and data analysis techniques as one of the ways to enhance the validity and reliability of the research study outcomes. The next chapter reports on the data analysis and the research findings.

CHAPTER 7: WHO MATTERS TO UK AND GERMAN FIRMS?

DISCERNING CORPORATE STAKEHOLDER SALIENCE PATTERNS IN UK AND GERMAN INSTITUTIONAL CONTEXTS

7.1: Tone setting

This chapter mainly focuses on identifying corporate stakeholder salience patterns in UK and German institutional contexts. It primarily leverages data from corporate social reports, which are then further corroborated by data from online comparative stakeholder salience survey. It, first of all, starts by highlighting the steps taken in analysing the collated data, as well as highlighting the findings arising from empirical data analysis. The data analysis follows three major steps: (1) correspondence analysis of corporate stakeholder salience pattern representations across national institutions and sectors; (2) Pearson's chi-square statistic test of difference between groups; and (3) multivariate analysis of corporate stakeholder salience pattern variations in different contexts in the study (i.e. national institutions and sectors). The three data analysis methods show an interaction between sector level and country level data. The empirical data analysis concludes with a key finding of this research study that corporate stakeholder salience pattern is neither a product of institutional nor sectoral contexts in isolation of each other, but is rather an outcome of interactions between institutional and sectoral contexts.

7.2: Empirical Data Analysis: Process Overview and Findings

The empirical data analysis is driven by the main research questions of this study, which could be, in a way, summarised as follows: (1) Are there identifiable national and organisational field patterns of corporate stakeholding in both UK and German institutional contexts? And (2) how and why do these patterns differ at the national and organisational field levels, respectively? A closer unpacking of these questions reinforces the duality of meaning embedded in them – the first part addressing the "*what*" issues, while the second part addresses the "*how*" and "*why*" issues in the questions. In order to provide plausible answers to these questions, the empirical data analysis followed a three stage process of triangulating data analytic techniques on data collated from two sources – (a) corporate social reports (major) and (b) online survey (minor). The triangulation of data analysis techniques is to provide more insights to address the research questions raised in earlier chapters and to give some robustness to the findings of the study. The data analytic techniques triangulated include correspondence analysis, descriptive statistics (Pearson's chi-square statistic) and multivariate analysis of variance.

7.2.1: Correspondence Analysis

The first stage of the data analysis process is to find out if there are any identifiable patterns between UK and German firms' representations of stakeholder salience primarily through their corporate social reports and secondarily through survey data. This is necessary as one of the key arguments of this research study is that corporate stakeholding patterns are not only susceptible to managerial rationality and discretion, but are also influenced and shaped by the attributes of the institutional contexts (meso and macro) in which they are embedded and enacted. In other words, this first leg of data analysis is expected to provide some insights towards establishing and understanding the relationships between institutional contexts, on one hand, and representations of corporate stakeholder salience patterns, on the other. Given the categorical nature of data collated for the study using content analysis of corporate social reports, in the first instance, and the interest in examining the relationship between institutional contexts and corporate stakeholding patterns, the data analytic technique used for this stage of analysis is *correspondence analysis.*

According to Hoffman and Franke (1986:213), correspondence analysis is "...an exploratory data analysis technique for the graphical display of contingency tables and multivariate categorical data". It is "...a tool to analyze the *association* between two or more categorical variables by representing the categories of the variables as points in a low-dimensional space. Categories with similar distributions (are) represented as points that are close in space, and categories that have very dissimilar distributions (are) positioned far apart" (Clausen, 1998:1-2, emphasis in original). Correspondence analysis has its origin from the philosophical tradition of French social scientists (Greenacre, 1993), and has been particularly advanced by Benzecri (1969, 1973a,b, 1992) and his colleagues. According to Clausen (1998:6&8) it is mainly a technique for *exploratory data analysis* (and not necessarily a precise science), which has been popularised through the works of the French sociologist Pierre Bourdieu who applied correspondence analysis in several of his works – for example Bourdieu (1984, 1988). Although correspondence analysis could suggest possible relationships between variables, it is not suitable for testing levels of significance of relationships, in the strict and precise sense of it. The main advantage of correspondence analysis lies in its ability to visually represent any possible relationships between entities and variables in a low-dimensional space. In other words, it offers a quick, interpretable and insightful visual aid and platform, on which one could then leverage to further interrogate the data and conduct much more in-depth analysis of these identified possible relationships between variables, using other analytical techniques suitable for such analysis.

Correspondence analysis has been argued to be very much suited for decoding and understanding inherent interrelationships in a matrix dataset, since it "...maximises the interrelationships between rows and columns of a data matrix in order to "reveal the structure and patterns inherent in the data" (Hoffman and Franke, 1986:213). In this regard, the choice of correspondence analysis in this study is not arbitrary, since one of the main research questions of the study is to identify possible patterns in and structural manifestations of corporate stakeholder salience attributable to the institutional contexts in which they are embedded and enacted. Moreover, Hoffman and Franke (1986) further make a pragmatic case for the use of correspondence analysis in similar analysis by arguing that:

> Much of its value relates to its multivariate treatment of the data through the simultaneous consideration of multiple categorical variables. The multivariate nature of correspondence analysis can reveal relationships that would not be detected in a series of pairwise comparisons of variables. Correspondence analysis also helps to show *how* variables are related, not just that a relationship exists. The joint graphical display obtained from a correspondence analysis can help in detecting structural relationships among the variable categories. Finally, correspondence analysis has highly flexible data requirements. The only strict data requirement for a correspondence analysis is a rectangular data matrix with non-negative entries.
>
> (In addition), "[A] distinct advantage of correspondence analysis over other methods yielding joint graphical displays is that it produces two *dual* displays whose row and column geometries have similar interpretations, facilitating analysis and detection of

relationships. In other multivariate approaches to graphical data representation, this duality is not present (p.213-14)

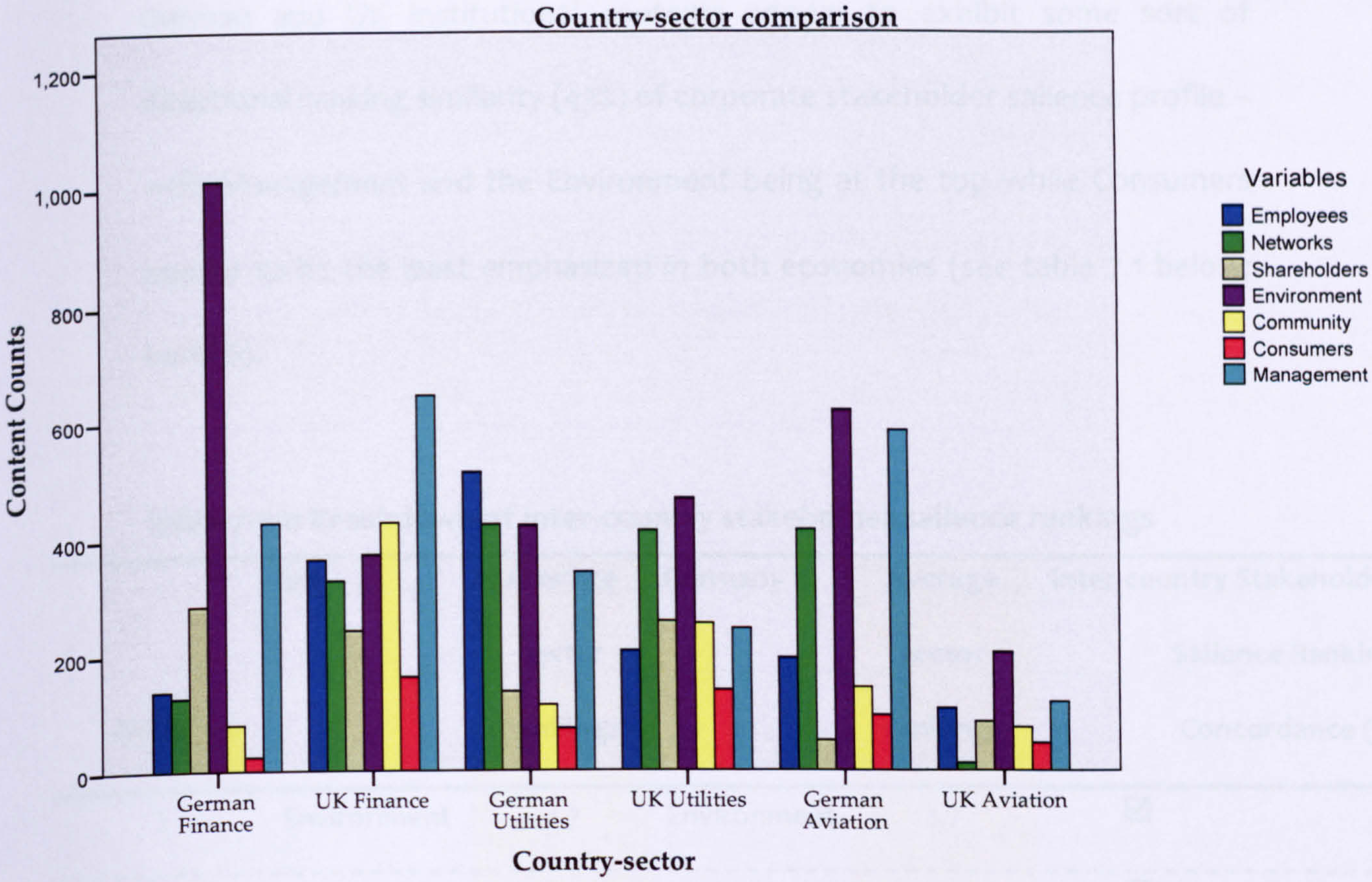
To support the execution of correspondence analysis in this study, firm level data generated from corporate social reports along the different stakeholder groups chosen for the study are summed up per stakeholder group to arrive at the industry level data – since the research is primarily interested in mapping stakeholder salience patterns at meso (industry) and macro (country) levels, respectively. This is an appropriate and acceptable social science research practice since there are no previously readily available industry level data on the corporate salience of these stakeholder groups, and more so in the institutional contexts used in this study (i.e. UK and German institutional contexts). In support of this research practice of aggregating micro level data to generate meso and or macro level data, Bourdieu – one of the foremost contemporary social scientists and a pioneer user of correspondence analysis as a research technique – claims that "...the notion of field reminds us that the true object of social science is not the individual, even though ***one cannot construct a field if not through individuals or institutions***. It is the field which is primary and must be the focus of the research operations" (Bourdieu and Wacquant, 1992:107, cited in Lounsbury, forthcoming – emphasis, mine). The industry level data, therefore, are generated using the formula below:

Iv1= $\sum(Fv1....Fvn)$........(1)

Where I is the sector, v1 a stakeholder group and F a firm level data

This summation readily applies to data extracted from corporate social report since these are collated from different data indices within corporate social reports (e.g. texts, graphics, and photographs). The combination of the frequencies associated with these different data elements within corporate social reports is theorised to signify the level of corporate stakeholder salience for each of the stakeholder groups in the study (see the following for similar theorisation of frequency of data in content analysis as a proxy for importance (salience): Deegan and Rankin, 1996; Gray et al., 1995; Krippendorff, 1980; Neu et al., 1998; Unerman, 2000; Bell, 2006). However, this transposition of data does not readily apply to data from online survey questionnaire since the respondents had to provide the rankings themselves and these rankings are not products of multiple combinations of data elements. With the data arising from firm level aggregation, a correspondence analysis matrix was created and the analysis was run using SPSS statistical software. Series of graphical representations arising from the data sets were generated – some of which are presented and discussed below.

Figure 7-0-1: Country-sector stakeholder salience patterns in graph



Cross-country comparison of representation of stakeholder salience in social reports

Figure 7.1 above, shows distinct patterns of stakeholder salience representations in corporate social reports across different sectors and countries in our analysis. Although these patterns of corporate stakeholder salience are from different sectors and countries, there exist some similarities in the patterns. A visual analysis of the graph, for instance, shows that the Environment and Management stakeholder groups stand out, while Consumers and Community stakeholder groups appear to be less emphasized compared to other stakeholder groups, across industries in both the UK and German institutional contexts. On one hand, when arranged in ranks (please see this footnote below)[20] and at a surface level analysis, the German and UK institutional contexts appear to exhibit some sort of directional ranking similarity (43%) of corporate stakeholder salience profile – with Management and the Environment being at the top while Consumers appear to be the least emphasized in both economies (see table 7.1 below; band 6).

Table 7-0-1: Breakdown of inter-country stakeholder salience rankings

BAND	UK	Average sector rankings	Germany	Average sector rankings	Inter-country Stakeholder Salience Ranking Concordance (%)
1	Environment	1.7	Environment	1.7	☑
2	Management	2.7	Management	2.7	☑
3	Community	3.7	Employees	3.0	
			Networks	3.3	
4	Shareholders / Employees	4.33			
	Networks	4.7			
5			Shareholders	5	
			Community	5.7	

[20] It is important to note that this ranking does not internalise the **intensity or degree of emphasis** placed on the different stakeholder groups within different national contexts and across industries. At the moment, it is mere ordering of ordinal data, where differences in values (frequency data) are not strictly important.

BAND	UK	Average sector rankings	Germany	Average sector rankings	Inter-country Stakeholder Salience Ranking Concordance (%)	
6	Consumers	6.7	Consumers	6.7	☑	
					Similarity	*Dissimilarity*
					43	57

This is rather a surprising outcome in the light of varieties of capitalism characterization of the two economies – e.g. the coordinated market economy being more oriented to employees than to management, at least. At the face level, therefore, this 'snap-shot' finding could possibly suggest similar patterns of stakeholder salience across both economies, at least as reflected through corporate social reports. Following this line of thinking could, equally, suggest that recent and ongoing reforms of the German economy towards the liberal market economy model in the last 5 to 10 years (Bartle, 2002; Cioffi, 2002; Streek and Trampusch, 2005; Steiner and Wrohlich, 2005) are beginning to reflect in some firm level activities, such as corporate social reporting. From this perspective, it is possible to suspect that globalization is having some harmonisation effects on German firm level practices, albeit at the macro level, or infer some isomorphic propensity in diffusion of social reporting and stakeholder salience practices across the varieties of capitalism divide[21]. On the other hand, it could be seen from table 7.2 below that this seeming manifestations of similar patterns of stakeholder salience at the country level does not equally reflect across all the sectors studied. While the aviation sector of both countries showed relatively high similarity of ranked stakeholder salience pattern (57%), the financial services sector showed relatively moderate stakeholder salience similarity (43%), and in both countries the utilities showed highest level of ranked stakeholder salience dissimilarity (71%).

[21] It is worthwhile to note that this suggested assertion of possible similarities in manifestations of corporate stakeholder salience patterns in UK and German institutional contexts does not primarily focus on the movement overtime between the two economies with regard to either their convergence or divergence. Rather, the emphasis here is that taking, what could be aptly described as, a 'static snap-shop view' of the two economies (i.e. 2000 – 2005); there appear to be some similarities between the two countries in terms of corporate stakeholder salience patterns manifested in the different institutional contexts. Whether these suggested and possible similarities are as a result of movement overtime (particularly with regards to the ongoing debates in the literature on the convergence and or divergence of national institution, and the homogenisation of varieties of capitalism, mainly through the influences of globalisation) is neither strictly implied nor necessarily captured in this suggestion. This research study will engage in the dynamics of corporate stakeholder salience patterns over time in the two economies much later in the subsequent chapters of the thesis.

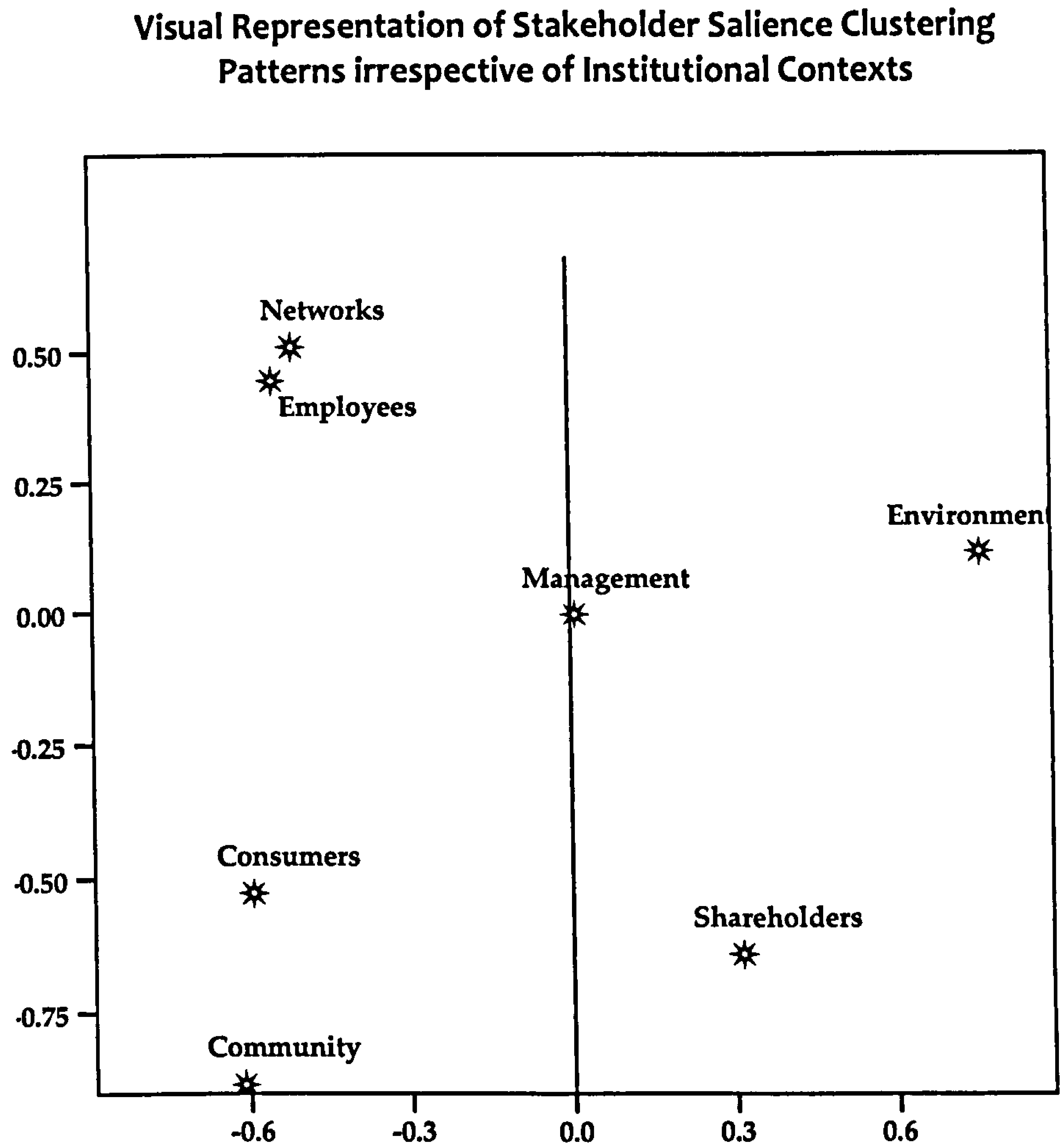
Table 7-0-2: Stakeholder Salience Concordance across Countries and Sectors

	Germany	UK	Sector Stakeholder Salience Ranking Concordance (%)	
			Similarity	*Dissimilarity*
Finance	Environment	Management		☑
	Management	Community		☑
	Shareholders	Environment		☑
	Employees	Employees	☑	
	Networks	Networks	☑	
	Community	Shareholders		☑
	Consumers	Consumers	☑	
			43	**57**
Utilities	Employees	Environment		☑
	Networks	Networks	☑	
	Environment	Shareholders		☑
	Management	Community		☑
	Shareholders	Management		☑
	Community	Employees		☑
	Consumers	Consumers	☑	
			29	**71**
Aviation	Environment	Environment	☑	
	Management	Management	☑	

	Networks	Employees		☑
	Employees	Shareholders		☑
	Community	Community	☑	
	Consumers	Consumers	☑	
	Shareholders	Networks		☑
			57	**43**
Inter-country Stakeholder Salience Ranking Concordance (%)			**43**	**57**

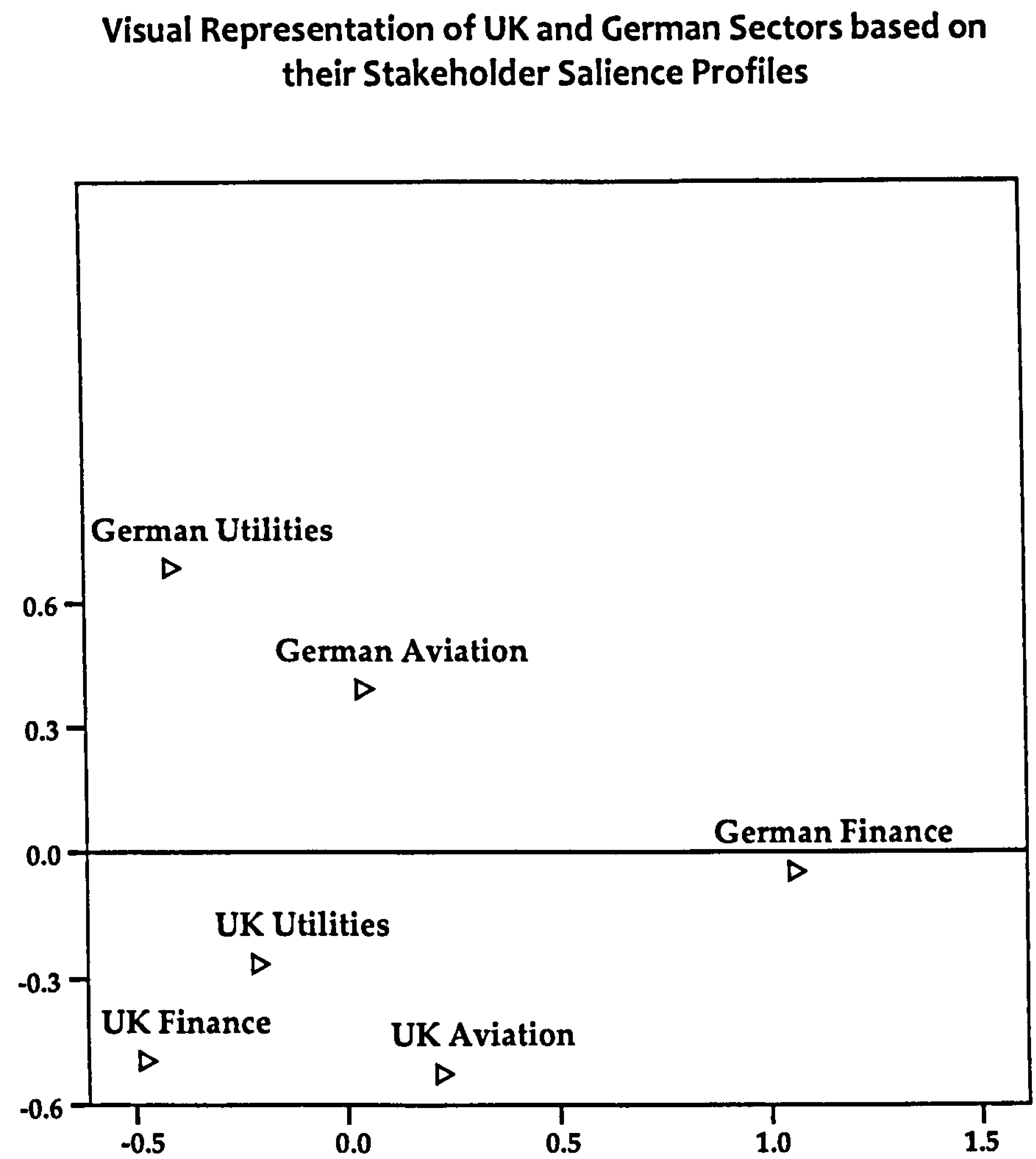
This back of the envelope calculation, at least, shows that there are some differences as well as similarities between the two institutional contexts, at the inter-country level. Notwithstanding the seeming similarities of corporate stakeholder salience amongst some stakeholder groups (e.g. the environment, consumers and management) across national institutional contexts, emphasis on Shareholder and Employees stakeholder groups, for instance, tends to vary significantly. In addition to the Environment, Management and Shareholders, UK firms on one hand appear to place significant emphasis on Communities, while German firms on the other hand, appear to place significant emphasis on Employees and Networks, respectively (see table 7.1 on inter-country stakeholder salience ranking, above). These distinctive features appear much more visible through a further unpacking of subsequent graphical representations of corporate stakeholder salience clustering patterns across sectors and institutional contexts, presented below. The clustering patterns on the graphs, at least, signal the possibility of corporate stakeholder salience of some stakeholder constituencies clustering closer to each other as well as around specific institutional contexts and industry segments. For instance, the representation below (Figure 7.2) suggests that corporate stakeholder salience of Networks and Employee stakeholder groups is likely to correlate positively between the pair, on one hand, while stakeholder salience of Consumers and Community stakeholder groups, on the other hand, is also likely to have some positive correlation, if one keeps institutional and sectoral contexts out of the equation for now. By implication, one would then wonder if there are institutional and sectoral contexts that would map onto the different clusters identified in the correspondence analysis. Any evidence to suggest this sort of 'stakeholder-salience-institutional-context' configuration would have provided a reasonable platform towards answering the first part of the main research question of this study: - "Are there identifiable national and organisational field patterns of corporate stakeholding in both UK and German institutional contexts?"

Figure 7-0-2: Visual Representation of Stakeholder Salience



In addition to country level differences and similarities, there are also possible industry differences and similarities that could emerge from the data represented in Figure 7.1, above. For example, UK and German Utilities show some similarities in the emphasis they place on the Environment and Networks stakeholder groups, while UK and German Financial sectors differ markedly in relation to Consumers and Networks stakeholder groups, respectively. Even within countries, there appear to be some similarities and differences amongst sectors. However, when country and sector data on stakeholder salience pattern profiles are spatially represented as in Figure 7.3 below, evidence from our data begin to show that the Financial Services sector in Germany appears to differ markedly from both the Utilities and Aviation sectors in their stakeholder salience patterns, while the latter are closer to each other. In the same vein, the UK aviation seems to differ slightly from both financial services and utilities, whilst the latter are closer to each other. A cross-country comparison shows that the UK and German financial services sectors are rather in opposite directions; while UK Aviation and Utilities, and German Aviation and Utilities are along the same axis, albeit without any guarantee of similarity. Most importantly, it is evident that corporate stakeholder salience profiles are polarised markedly according to institutional contexts (in this case UK vs. Germany); which strongly suggests that corporate stakeholder salience patterns could be reflections of the institutional contexts in which they are embedded and enacted.

Figure 7-0-3: Visual Representation of Sector Stakeholder Salience Profiles



In summary, then, the data analysis and interpretation so far show that there are, at least, identifiable patterns of corporate stakeholder salience between and within sectors and national institutional contexts, which are beginning to emerge. Amongst others, the 'back-of-the-envelop' ranking shows a dissimilarity of 57% between corporate stakeholder salience patterns of German and UK institutional contexts. Relying on this information, in isolation, one could be led to claim that the first proposition of this research study, which postulates that corporate stakeholding patterns will differ between German and UK national institutional contexts, is confirmed. At the same time too, one is cautious to reach such a conclusion because these differences (or dissimilarities) do not reflect uniformly across sectors – signalling that country level results could be confounded by sector level data. A further insight linked to this signal is, therefore, that there are identifiable industry patterns across the two institutional contexts, albeit with some mixed results. However, the data so far give bits and pieces of information and insights in line with the analytical framework of our study – i.e. the varieties of capitalism model. For instance, that the German firms place emphasis on employee stakeholder groups is in line with theory. At the same time, we do not know yet how these patterns in stakeholder salience could be accounted for by either, country level data or sector level data, or both; which then leads us to test for independence (or association) of country level and sector level data on stakeholder salience pattern seen, using the Pearson's chi-square statistic.

7.2.2: Unpacking country and sector influences on corporate stakeholder salience patterns using chi-square statistic data analysis technique

In addition to anticipated institutional contextualisation of corporate stakeholder salience, the varieties of capitalism model, on which this research study largely draws its theoretical framework from, postulates that the UK and German capitalist systems would differ to the extent that they are fundamentally driven by significantly different orientations of liberal market and coordinated market economies, respectively. The next stage in the data analysis process is, therefore, to ascertain if these patterns are similar or different and also to figure out the strength of these similarities or differences, if any. However, these differences and or similarities could be either at the country and or sector levels. The statistical data analytic technique employed for this purpose is the Pearson's chi-square statistic due to its appropriateness for testing (mean) differences between two groups, especially those between categorical variables. Chi-square statistic could as well be used for test of independence or association between categorical variables. In this research, our two categorical variables are country and sector levels data. The chi-square statistic does not go beyond stating whether there is an association or not between variables, and does not attempt to provide any explanations as to the reasons for an association between variables or otherwise (Miller and Siegmund, 1982). In a nutshell,

> Chi-square is used to calculate the probability that a relationship found in a sample between two variables is due to chance (random sampling error). It does this by measuring the difference between the actual frequencies in each cell of a table and the frequencies one would expect to find if there were no relationship between the variables in the population from which the (simple

random) sample has been drawn. The larger these differences are, the less likely it is that they occurred by chance[22].

The data sets generated from corporate social reports were then subjected to Pearson's chi-square statistic test using the same SPSS statistical software. And the results of the test are presented in the tables, below. The Pearson Chi-Square test is to confirm if there is any interdependency between institutional and sectoral contexts data; while the contingency coefficient outcome is to find out the strength or degree of interdependency between the institutional and sectoral contexts, if any:

Table 7-0-3: Chi-Square Tests Result Table

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1956.302(a)	30	.000
Likelihood Ratio	2027.790	30	.000
Linear-by-Linear Association	2.891	1	.089
N of Valid Cases	11373		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 30.60.

22 http://www.csupomona.edu/~jlkorey/POWERMUTT/Topics/contingency_tables.html visited August 20, 2007

Table 7-0-4: Symmetric Measures

		Value	Asymp. Std. Error(a)	Approx . T(b)	Approx. Sig.
Nominal by Nominal	**Contingency Coefficient**	.383			.000
Interval by Interval	Pearson's R	-.016	.009	-1.700	.089(c)
Ordinal by Ordinal	Spearman Correlation	-.022	.009	-2.341	.019(c)
N of Valid Cases		11373			

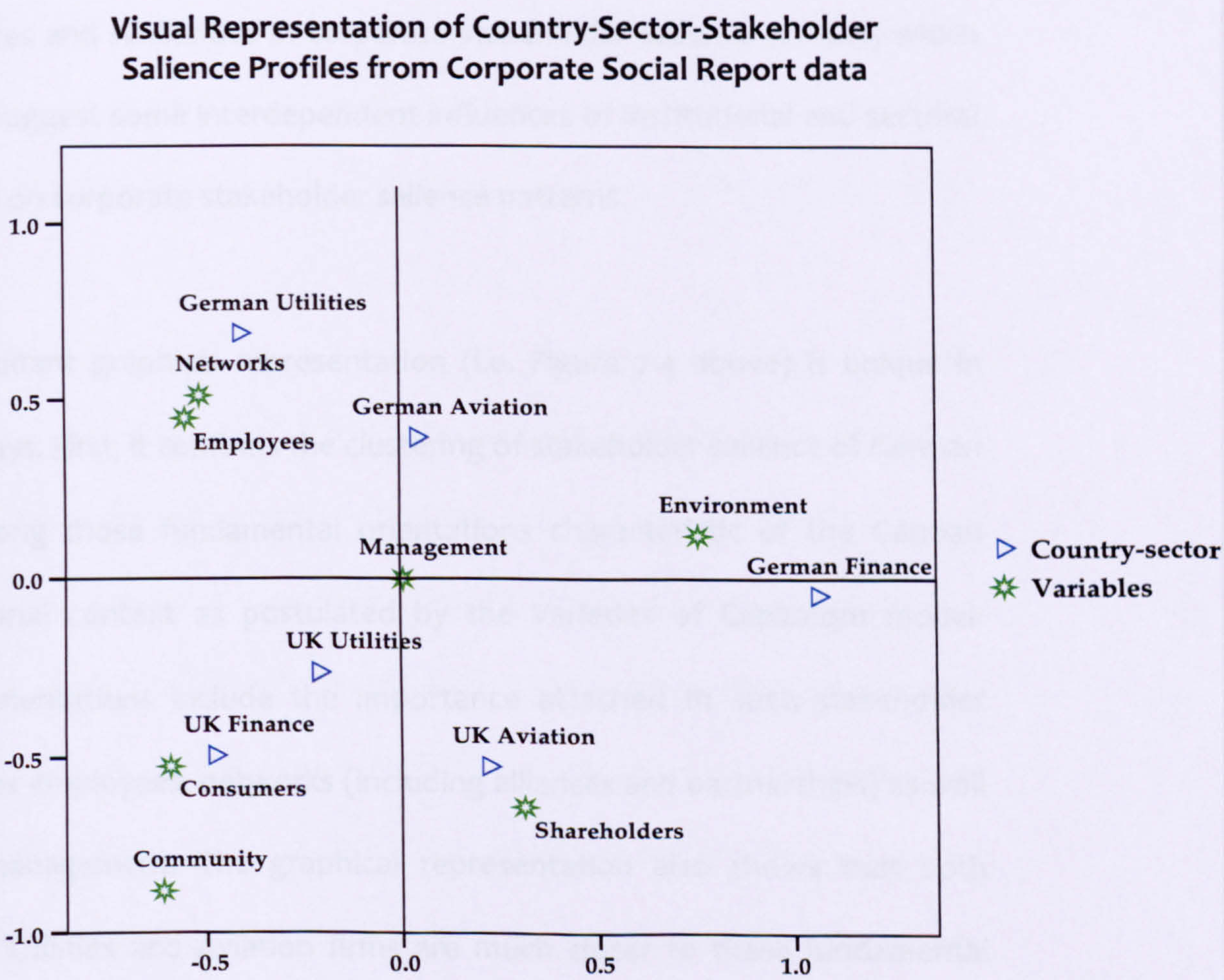
a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

c Based on normal approximation.

As anticipated, the Pearson chi-square test confirms an association between sector and country in accounting for identified corporate stakeholder salience patterns at a significant level of $p<0.001$(or $p=0.000$). In other words, corporate stakeholder salience pattern is implicated in the interaction between sector and country level characteristics; and therefore cannot be easily explained by either country or sector level data alone, but in conjunction. To further unpack the strength of this association, the chi-square statistic test yielded a contingency coefficient approximately 0.40 at a significant level that confirms a strong association between patterns of corporate stakeholder salience and country-sector data. Following this identified association between corporate stakeholder salience and country-sector influences, the country level data were mapped on to the sector level data through correspondence analysis in order to triangulate the data and further examine the association visually. The mapping of both data resulted in the graphical representation shown in Figure 7.4 below.

Figure 7-0-4: Visual Representation of Country-Sector-Stakeholder Profile



The graphical representation above shows unique clustering of corporate stakeholder salience profiles along country and sector dimensions, respectively. For example UK sectors clustered together in the lower half of the graphic while German sectors clustered together in the upper half of the graphic. Not only that; these different clusters of country and sector influences are grouped together with specific stakeholder groups; and more so, they are symptomatically clustered across the upper and lower divides of the graphic – possibly in line with the institutional characteristics predicted by the varieties of capitalism model with regards to both the UK and German institutional contexts. Notwithstanding, there are notable country and sector differences and similarities in corporate stakeholder salience profiles, which tend to suggest some interdependent influences of institutional and sectoral contexts on corporate stakeholder salience patterns.

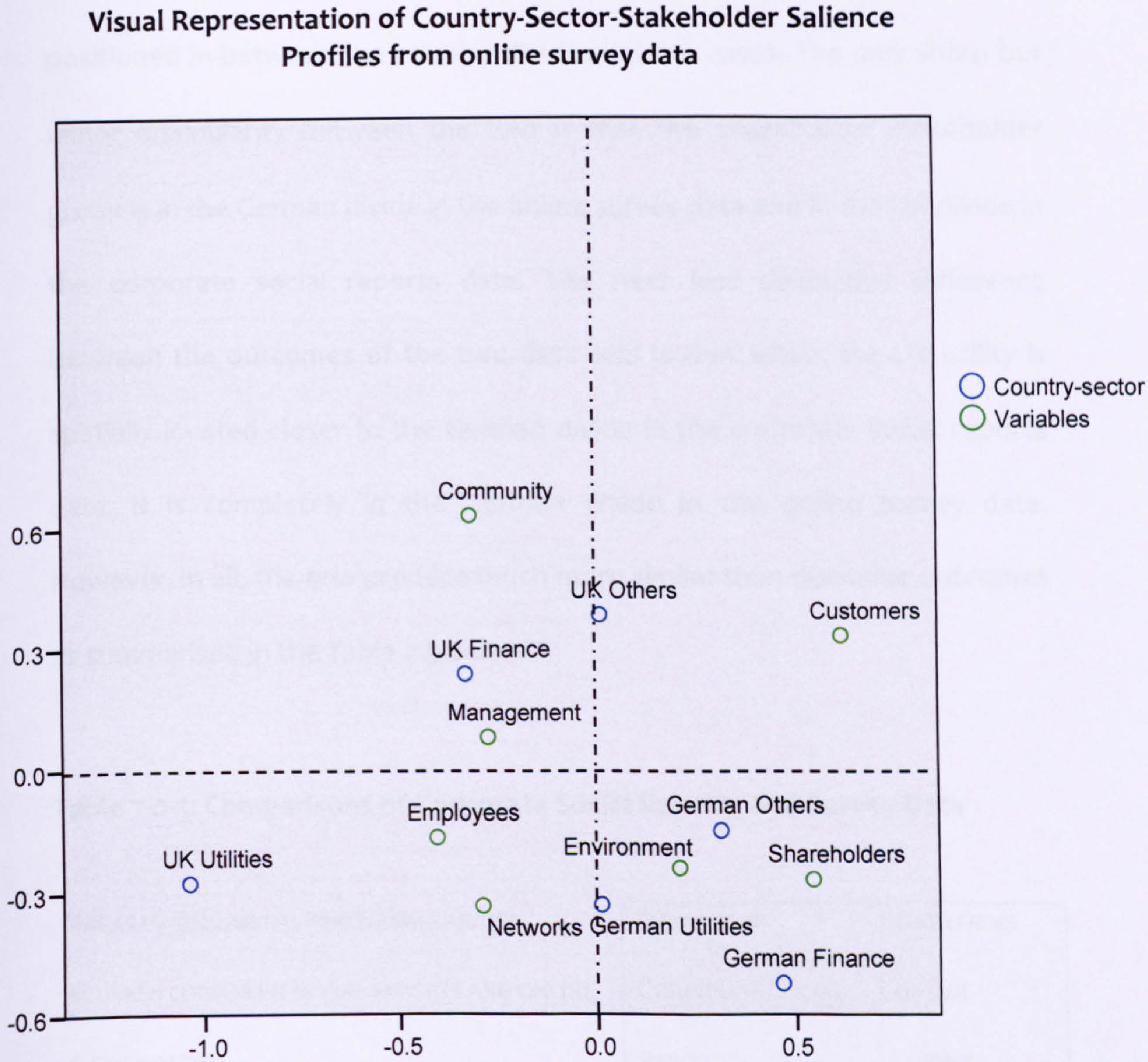
This resultant graphical representation (i.e. Figure 7.4 above) is unique in many ways. First, it confirms the clustering of stakeholder salience of German firms along those fundamental orientations characteristic of the German institutional context as postulated by the Varieties of Capitalism model. These orientations include the importance attached to such stakeholder groups as employees, networks (including alliances and partnerships) as well as to management. The graphical representation also shows that both German Utilities and Aviation firms are much closer to these fundamental corporate stakeholder salience patterns than the German Financial Services sector. Instead, the German Financial Services sector shows greater propensity towards much more globalised stakeholder salience – for example, the environment. In the same vein, the UK sectors cluster around fundamental values of the liberal market economies, which are predominantly shareholder driven. According to Vitols (2001:343), "[T]he UK is characterized by dispersed ownership by share-price-oriented financial institutions while Germany is characterized by concentrated ownership by actors pursuing a mix of financial and strategic goals". (Vitols, 2001:343). This shareholder orientation appears to be manifested more by the UK aviation than any of the other UK sectors – i.e. Utilities and Finance. As typical of the service sector, the UK Financial services sector seems to be very much associated with consumer salience, while the Utilities sector clusters towards Management stakeholder salience and closer to the German side of the graph[23]. The management stakeholder group is very much central to both divides.

However, in order to validate the emergent corporate stakeholder salience patterns from corporate social report data, data from online survey were also subjected to similar correspondence analysis. The idea being that similarities or dissimilarities in corporate stakeholder salience patterns depicted by the outcome of online survey data will either strengthen or put to question the validity of patterns emergent from corporate social reports. This approach is in line with the data triangulation principle enunciated in the previous chapter. The only difference – albeit it a minor one – in terms of data

[23] This clustering towards coordinated market economy could be accounted for by the infiltration of European utility practices in the UK and the role of utility firms as providers of public services, which is discussed in the subsequent chapters of this thesis.

comparability between corporate social reports and online survey in this case is the substitution of aviation data by data from other sectors in the online survey analysis. It is anticipated that this substitution would not lead to any significant difference in outcomes since the main sectors chosen for the study were randomly selected and as such should bear some similarities with the population they were drawn from, to be representative (Hair et al., 2005). The online survey data generated the graphical representation of corporate stakeholder salience profiles shown in Figure 7.5 below:

Figure 7-0-5: Online Survey data representation



Coincidentally, both corporate social reports and online survey data, show much more similarities than dissimilarities, which goes a long way to validate the corporate social report data. In the first instance, the two sources of data show intra-country clustering, with German and UK sectors clustered distinctively along country parameters and characteristics. In the two instances, Employees and Networks stakeholder groups clustered closer to the German side of the divide; while Community and Customers stakeholder groups clustered closer to the UK sectors. Management stakeholder group is positioned in-between the country divides in both cases. The only sharp but minor dissimilarity between the two is that the Shareholder stakeholder group is in the German divide in the online survey data and in the UK divide in the corporate social reports data. The next less distinctive difference between the outcomes of the two data sets is that whilst the UK utility is spatially located closer to the German divide in the corporate social reports data, it is completely in the German divide in the online survey data. However, in all, the two produce much more similar than dissimilar outcomes as summarised in the Table 7.5 below:

Table 7-0-5: Comparisons of Corporate Social Reports and Survey Data

AREAS OF SIMILARITIES AND DISSIMILARITIES BETWEEN CORPORATE SOCIAL REPORTS AND ONLINE SURVEY DATA	DATA FROM CORPORATE SOCIAL REPORTS	DATA FROM ONLINE SURVEY
1. Clustering based on country	☑	☑
2. Management stakeholder group positioned in-between the country divides	☑	☑
3. Community and Customers stakeholder groups clustered in the UK divide of the visual presentation	☑	☑

Areas of similarities and dissimilarities between corporate social reports and online survey data	Data from Corporate Social Reports	Data from online survey
4. Networks and Employees stakeholder groups clustered in the German divide of the visual presentation	☑	☑
5. Environment stakeholder group positioned in the German space	☑	☑
6. Shareholders stakeholder group positioned in the UK space	☑	☒
7. Intra-country clustering of sectors (**only UK utility deviating)	☑	☒

In order to probe deeper into any possible relationships (associations) that may exist (or not exist) between country and sector level data, and in order to further triangulate on data analytic methods, the third leg of the data analysis process finally queries the data in much more details to help in understanding any possible interactions arising from the joint influences of country and sector characteristics on corporate stakeholding profiles of UK and German firms through their social reports. In this regard, the research study anticipates some stakeholder salience differences between UK and German firms, particularly in those core areas the varieties of capitalism model would suggest that they are fundamentally different – i.e. salience of employees, shareholders, management and networks, in line with propositions espoused in much detail earlier in this research study (see chapter 4, section 4.4).

7.2.3: Examining country and sector influences on corporate stakeholder salience patterns using multivariate analysis of variance (MANOVA) data analysis technique

In order to further explore these propositions, the research uses a multivariate analysis of variance (MANOVA) since the study focuses on two independent variables (sector and country) and multiple dependent variables (i.e. representations of stakeholder salience of multiple constituencies – i.e. employees, shareholders, et cetera – through corporate social reports). Multivariate analysis of variance belongs to the broader family of Analysis of Variance (ANOVA) statistical technique[24]. It is a much tighter and higher level of statistical analysis than the Pearson's chi-square statistic. According to Ellis and Haase (1987), multivariate models are suitable for analysis of data from researches that give rise to more than one dependent variable, as in this study with the following dependent variables – Community, Customers, Environment, Employees, Management, Networks and Shareholders stakeholder groups. Insights from this further analysis will be helpful in exploring the guiding propositions of this research study. The data generated

[24] The philosophical and pragmatic underpinnings of ANOVA statistical technique, which are presented in most basic texts on Statistical methods, lie beyond the scope of this research study.

for the study from corporate social reports were further re-arranged to be amenable to multivariate analysis of variance. These adjustments are presented and explained below.

Step 1: Calculation of Ratios (intensity factors or coefficients)

This part of the study did not base the data used in the analysis on absolute numbers (i.e. the frequencies of photographs, graphs and texts) presented by each report, but rather converted these frequencies to an intensity factor derived from the ratio of pages of the report to photographs, graphics and texts, respectively. For example, a 50 page report with a total of 70 photographs would first of all yield an intensity factor of 1.4 (i.e. the ratio of 70 photographs to 50 page report), which was in turn used as a co-efficient for data on each of the stakeholder groups. The introduction of the intensity factor (coefficients) created some parity amongst the data and was substituted for each of the data from the different reports. According to Riffe et al. (2005:84), "A ratio measure allows one to compare relative emphasis regardless of number of units. .... One advantage of using ratio-level measures with content analysis is that they allow the use of more sophisticated statistical procedures". The formulae for deriving the intensity factors (coefficients) are presented below:

$$\sum p / \sum d \text{ .... (1)}$$

Where *p* is number of photographs and *d* pages of social reports

$$\sum g / \sum d \ \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where g is number of graphs and d pages of social reports

$$\sum cspr / \sum cspg \ \ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Where *cspr* is number of chairman/management statement paragraphs and *cspg* pages of chairman/management statement

The intensity factor of logos to documents was calculated by first merging data collated on logos and management signatures, since corporate logos are essential artefacts of corporate identity and there is a prevalent understanding of signatures as quintessential mark of identity in "...our contemporary sign culture" (Goldman and Papson, 1996:140). The combination of data collated on logos and management signatures was then ratio-ed against the total pages of the reports in which they appear, which gives rise to this equation:

$$\sum (l + lw + sg) / \sum d \ \ldots\ldots\ldots (4)$$

Where *l* is number of standalone logos, *lw* non-standalone logos, *sg* management signatures and d pages of social reports

Step 2: Application of intensity factor (coefficient) to coded variables

Having calculated intensity factors, the resulting coefficients were used to multiply the frequencies of the coded variables. For instance, assuming that out of the 70 photographs, 30 of these photographs referred to employees, the 30 employee photographs is multiplied by the intensity factor. In other words, the intensity factor becomes a coefficient of the number of employee photographs, in this case. The coefficient was applied to all the variables. After which, the variables were collated based on their categories. For example, all variables relating to employees (i.e. photos, graphics, and texts) were averaged to get a single index data for employees. The same was done for all the other stakeholder groups. Following its link to management identity the logo/signature coefficient was added to the management stakeholder group. The stakeholder salience for each of the stakeholder groups studied was derived as an average of years 2000 to 2006. Industry stakeholder salience for each stakeholder group was derived as an average of firm-level averages and stakeholder salience profile of country derived from industry level averages, as shown in equations 5 and 6 below

$$\frac{\sum_{1=n}^{n}(x_{v1}+x_{v2}+.........x_{vn})}{n} \quad ....(5)$$

Where v = firm level variables and n = total number of firms in a sector

$$\frac{\sum_{1=N}^{N}(x_{Sv1}+x_{Sv2}+\ldots\ldots x_{Svn})}{N} \ldots\ldots\ldots\ldots\ldots \text{(6)}$$

Where Sv = sector level variables and N = total number of sectors in a country

After these adjustments a multivariate statistical analysis of variance was run on the data using the SPSS statistical software. And it yielded the result tables below, which in a nutshell show that corporate stakeholder patterns are significantly ($p<0.0001$) shaped by sectoral and institutional influences, both in isolation and in conjunction of each other. This finding is in consonant with the outcomes of the correspondence analysis and Pearson's Chi-Square statistic analytical techniques previously deployed.

Table 7-0-6: Multivariate Tests (c) Result of data from Corporate Social Reports

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.774	27.329(a)	7.000	56.000	.000
	Wilks' Lambda	.226	27.329(a)	7.000	56.000	.000
	Hotelling's Trace	3.416	27.329(a)	7.000	56.000	.000
	Roy's Largest Root	3.416	27.329(a)	7.000	56.000	.000
Sector	Pillai's Trace	.647	3.895	14.000	114.000	.000
	Wilks' Lambda	.455	3.860(a)	14.000	112.000	.000
	Hotelling's Trace	.973	3.823	14.000	110.000	.000
	Roy's Largest Root	.597	4.864(b)	7.000	57.000	.000
Country	Pillai's Trace	.416	5.695(a)	7.000	56.000	.000
	Wilks' Lambda	.584	5.695(a)	7.000	56.000	.000

Effect		Value	F	Hypothesis df	Error df	Sig.
	Hotelling's Trace	.712	5.695(a)	7.000	56.000	.000
	Roy's Largest Root	.712	5.695(a)	7.000	56.000	.000
Sector * Country	Pillai's Trace	.540	3.010	14.000	114.000	.001
	Wilks' Lambda	.529	3.003(a)	14.000	112.000	.001
	Hotelling's Trace	.762	2.994	14.000	110.000	.001
	Roy's Largest Root	.507	4.130(b)	7.000	57.000	.001

a Exact statistic b The statistic is an upper bound on F that yields a lower bound on the significance level.

*c Design: Intercept+Sector+Country+Sector * Country*

In keeping with the triangulation strategy of this research study, data from online survey was also subjected to multivariate analysis of variance as a further and final assessment of the validity of the dataset generated from corporate social reports. The online survey data (Table 7.7 below) confirm that both sector and institutional contexts have influence (at a significant level of $p<0.05$) on corporate stakeholder salience.

Table 7-0-7: Multivariate Tests (c) Result of data from Online Survey

Effect		Value	F	Hypothesis df	Error df	Sig.
Intercept	Pillai's Trace	.949	85.093(a)	7.000	32.000	.000
	Wilks' Lambda	.051	85.093(a)	7.000	32.000	.000
	Hotelling's Trace	18.614	85.093(a)	7.000	32.000	.000
	Roy's Largest Root	18.614	85.093(a)	7.000	32.000	.000
Sector	Pillai's Trace	.557	1.818	14.000	66.000	.054
	Wilks' Lambda	.471	2.087(a)	14.000	64.000	.024

Effect		Value	F	Hypothesis df	Error df	Sig.
	Hotelling's Trace	1.062	2.352	14.000	62.000	.011
	Roy's Largest Root	1.003	4.729(b)	7.000	33.000	.001
Country	Pillai's Trace	.523	5.009(a)	7.000	32.000	.001
	Wilks' Lambda	.477	5.009(a)	7.000	32.000	.001
	Hotelling's Trace	1.096	5.009(a)	7.000	32.000	.001
	Roy's Largest Root	1.096	5.009(a)	7.000	32.000	.001
Sector* Country	Pillai's Trace	.324	.910	14.000	66.000	.553
	Wilks' Lambda	.689	.936(a)	14.000	64.000	.527
	Hotelling's Trace	.433	.959	14.000	62.000	.504
	Roy's Largest Root	.386	1.819(b)	7.000	33.000	.117

a Exact statistic

b The statistic is an upper bound on F that yields a lower bound on the significance level.

c Design: Intercept+Sector+Country+Sector * Country

However, the suggestion that sector and country have interactive influences on corporate stakeholder salience as identified through corporate social reports data is insignificant in the outcome of the online survey data. But either way, the two sources of data confirm the sectoral and institutional influences on manifestations of corporate stakeholder salience patterns. In summary, then, the outcomes of the multivariate analysis of variance from both sources of empirical data suggest that the UK and German institutional contexts generate different patterns of corporate stakeholder salience profiles, as well as the different sectors used in this study. This makes it more interesting to argue for an interaction effect between sectoral and institutional influences on corporate stakeholder salience patterns; but more would be needed from the data to further unpack the implications of these interactive effects on the predictions of the varieties of capitalism for the UK and German institutional contexts, which constitute the main propositions of this research study. In order to do this, the research leverages outcomes of the multivariate analysis of data from corporate social reports, which is the main data source of this study, to search for between-subjects effects as shown in Table 7.8 below.

Table 7-0-8: Tests of Between-Subjects Effects using data sets from corporate social reports

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	Employees	2650.774(a)	5	530.155	3.394	.009
	Networks	8032.162(b)	5	1606.432	2.718	.028
	Shareholders	5299.023(c)	5	1059.805	1.641	.163
	Environment	53357.156(d)	5	10671.431	4.229	.002
	Community	4760.228(e)	5	952.046	3.760	.005
	Consumers	3120.781(f)	5	624.156	4.517	.001
	Management	5275.906(g)	5	1055.181	2.893	.021
Intercept	Employees	22827.927	1	22827.927	146.129	.000
	Networks	21588.877	1	21588.877	36.526	.000
	Shareholders	42177.793	1	42177.793	65.297	.000
	Environment	172290.993	1	172290.993	68.278	.000
	Community	16001.315	1	16001.315	63.191	.000
	Consumers	7079.067	1	7079.067	51.230	.000
	Management	47729.543	1	47729.543	130.880	.000

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Sector	Employees	1548.101	2	774.051	4.955	.010
	Networks	1216.085	2	608.042	1.029	.363
	Shareholders	179.089	2	89.544	.139	.871
	Environment	13453.307	2	6726.653	2.666	.078
	Community	161.241	2	80.621	.318	.729
	Consumers	412.814	2	206.407	1.494	.232
	Management	2363.083	2	1181.541	3.240	.046
Country	Employees	159.697	1	159.697	1.022	.316
	Networks	367.898	1	367.898	.622	.433
	Shareholders	465.820	1	465.820	.721	.399
	Environment	10809.497	1	10809.497	4.284	.043
	Community	1936.527	1	1936.527	7.648	.007
	Consumers	1222.298	1	1222.298	8.846	.004
	Management	215.722	1	215.722	.592	.445
Sector * Country	Employees	851.110	2	425.555	2.724	.073
	Networks	6214.885	2	3107.443	5.258	.008
	Shareholders	5261.707	2	2630.853	4.073	.022
	Environment	26656.011	2	13328.005	5.282	.008
	Community	**874.190**	**2**	**437.095**	**1.726**	**.186**
	Consumers	**462.702**	**2**	**231.351**	**1.674**	**.196**
	Management	2894.370	2	1447.185	3.968	.024
Error	Employees	9685.502	62	156.218		
	Networks	36645.052	62	591.049		
	Shareholders	40048.371	62	645.941		
	Environment	156449.217	62	2523.374		
	Community	15699.606	62	253.219		

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
	Consumers	8567.234	62	138.181		
	Management	22610.218	62	364.681		
Total	Employees	35297.675	68			
	Networks	70898.971	68			
	Shareholders	97808.814	68			
	Environment	382992.160	68			
	Community	40043.893	68			
	Consumers	20668.829	68			
	Management	85255.227	68			
Corrected Total	Employees	12336.275	67			
	Networks	44677.214	67			
	Shareholders	45347.393	67			
	Environment	209806.372	67			
	Community	20459.834	67			
	Consumers	11688.015	67			
	Management	27886.124	67			

a *R Squared = .215 (Adjusted R Squared = .152);* ***b*** *R Squared = .180 (Adjusted R Squared = .114);* ***c*** *R Squared = .117 (Adjusted R Squared = .046);* ***d*** *R Squared = .254 (Adjusted R Squared = .194);* ***e*** *R Squared = .233 (Adjusted R Squared = .171; f R Squared = .267 (Adjusted R Squared = .208);* ***g*** *R Squared = .189 (Adjusted R Squared = .124)*

From the result tables above, both country and sector level data offered what could be considered contradictory results in isolation, when matched against the postulations of the varieties of capitalism model. In other words, neither of the results in isolation confirms the postulations of the varieties of capitalism model. The country level data suggest that German and UK firms differ on the Environment, Community and Consumers patterns of stakeholder salience, which is rather directly opposite to the propositions of this research study. The sector level data on the other hand suggest that the sectors differ only on Employees, Environment and Management patterns of stakeholder salience. However, it is difficult to read off varieties of capitalism postulations from sector level data in isolation of country influences. A further probing into the joint sector/country influences on patterns of stakeholder salience, shows that the German and UK institutional contexts interact with sector level influences to shape patterns of corporate stakeholder salience profiles. The results of the multivariate statistic analysis, once again, confirm the interaction effect between sector and country level data on patterns of corporate stakeholder salience presented in corporate social reports. They also confirm the propositions explored in this research except the postulated similarity between German and UK firms in their pattern of environmental salience. However, this similarity is further established through a post hoc data analysis (Bonferroni and Scheffe) – see appendix for details.

In a nutshell, Table 7.9 below highlights the implications of the influences of sector, country and sector-country interactions on corporate stakeholder salience patterns, expressed through UK and German corporate social reports, in support of the propositions derived from the varieties of capitalism model employed in this research study.

Table 7-0-9: Implications of the influences of sector, country and sector-country interactions on corporate stakeholder salience patterns

	STAKEHOLDER SALIENCE/ ISSUES	DETAILS	SECTOR	COUNTRY	SECTOR/ COUNTRY JOINT INFLUENCES
Proposition 1:		Corporate stakeholding patterns will differ between German and UK national institutional contexts.	NA	☑	NA
Proposition 2:	**Shareholder**	German and UK firms will differ on the emphasis they respectively place on shareholder salience of different stakeholder groups in corporate social reports	☒	☒	☑
Proposition 3:	**Employees**	German and UK firms will differ on the emphasis they respectively place on employee groups in corporate social reports	☑	☒	☑

	Stakeholder Salience/ Issues	Details	Sector	Country	Sector/ Country joint influences
Proposition 4:	**Management**	German and UK firms will differ on the emphasis they respectively place on management in corporate social reports	☑	☒	☑
Proposition 5:	**Networks**	German and UK firms will differ on the emphasis they respectively place on networks in corporate social reports	☒	☒	☑
Proposition 6:	**Environment**	German and UK firms will adopt similar direction of emphasis on the environment in their corporate social reports	☑	☒	☑ [25]
Proposition 7:	**Communities**	German and UK firms will adopt similar direction of emphasis on local communities or society at large in their corporate social reports if exposed to similar international influences	☑	☒	☑

[25] Confirmed through post hoc analysis – see appendix for details (p.373)

	STAKEHOLDER SALIENCE/ ISSUES	DETAILS	SECTOR	COUNTRY	SECTOR/ COUNTRY JOINT INFLUENCES
Proposition 8:	**Customers**	German and UK firms will adopt similar direction of emphasis on customers in their corporate social reports if exposed to similar international influences	☑	☒	☑
Proposition 9:	**Institutional distinctiveness**	German and UK firms will remain distinct in those fundamental areas characteristic to their respective mode of economic governance (e.g. labour relations) and converge on those indices that are driven by global discourses (e.g. customer relations)	NA	☑	NA

Table 7.10 below presents a descriptive statistics outlining the results of the content analysis (the averaged counts) and provides a breakdown by country and sector. Drawing from these descriptive statistics loosely (not with any strict statistical precision) after some adjustments, the study infers the directionally differences between the UK and German institutional contexts as stipulated in the guiding propositions of this research study (i.e. propositions 2b, 4b and 5b – with the exception of proposition 3b) – see Table 7.11, below. The Utilities sector appears to be a better predictor/reflector of these differences than either the Financial Services or Aviation sectors. However, these should be read in conjunction with the interaction effects between sector and country level data confirmed through the earlier analytical techniques discussed in this chapter – i.e. correspondence analysis, chi-square statistic and multivariate analysis of variance.

Table 7-0-10: Descriptive statistics outlining the results of the content analysis (the average counts)

	WITHIN COUNTRY SECTOR AVERAGES						COUNTRY LEVEL AVERAGES		ACROSS COUNTRY SECTOR AVERAGES		
	Aviation		Financial Services		Utilities				*Aviation*	*Financial Services*	*Utilities*
	Germany	*UK*	*Germany*	*UK*	*Germany*	*UK*	*Germany*	*UK*			
Community	18.8	18.6	4.9	24.6	9.3	24.9	11.0	22.7	18.7	14.8	17.1
Consumers	10.5	10.8	2.7	14.7	6.5	22.1	6.6	15.9	10.7	8.7	14.3
Employees	23.0	26.1	7.8	19.4	24.5	20.0	18.5	21.8	24.6	13.6	22.3
Environment	108.2	51.0	75.6	20.0	23.8	53.4	69.2	41.5	79.6	47.8	38.6
Management	48.0	22.0	27.2	37.0	18.1	22.5	31.1	27.2	35.0	32.1	20.3
Shareholders	23.2	34.2	36.5	20.3	13.8	36.2	24.5	30.2	28.7	28.4	25.0

	WITHIN COUNTRY SECTOR AVERAGES						COUNTRY LEVEL AVERAGES		ACROSS COUNTRY SECTOR AVERAGES		
	Aviation		Financial Services		Utilities						
	Germany	*UK*	*Germany*	*UK*	*Germany*	*UK*	*Germany*	*UK*	*Aviation*	*Financial Services*	*Utilities*
Networks	36.2	0.5	15.9	14.9	14.4	35.6	22.1	17.0	18.4	15.4	25.0

Table 7-0-11: Directional differences between German and UK emphasis on stakeholder groups unique to varieties of capitalism model

	STAKEHOLDER SALIENCE/ ISSUES	DETAILS	AVIATION	FINANCIAL SERVICES	UTILITIES	COUNTRY LEVEL AVERAGES	COUNTRY LEVEL ADJUSTED[26]
Proposition 2b:	**Shareholder**	UK firms will place more emphasis on shareholder salience in corporate social reports than German firms	☑	☒	☑	☑	☑
Proposition 3b:	**Employees**	German firms will place more emphasis on employee groups in corporate social reports than UK firms	☒	☒	☑	☒	☒
Proposition	**Management**	UK firms will place more emphasis on	☒	☑	☑	☒	☑

[26] Where two sectors, at least, are in line with propositions and postulations of varieties of capitalism analytical framework

	STAKEHOLDER SALIENCE/ ISSUES	DETAILS	AVIATION	FINANCIAL SERVICES	UTILITIES	COUNTRY LEVEL AVERAGES	COUNTRY LEVEL ADJUSTED[26]
4b:		management in corporate social reports than German firms					
Proposition 5b:	**Networks**	German firms will place more emphasis on networks in corporate social reports than UK firms	☑	☑	☒	☑	☑

As a result, it could be concluded therefore, that corporate stakeholder salience patterns are reflections of meso (organisational fields) and macro (national contexts) institutional characteristics, as well, and not entirely dependent on managerial discretion. This is the core argument of this research study, which has been empirically demonstrated.

7.3: Chapter Summary

Drawing from triangulation of two data sources (1) corporate social reports of UK and German *Fortune Global* 500 firms in aviation, financial services and the utilities, and (2) online survey questionnaire of UK and German Fortune Global 500 firms; and three data analytic methods: (1) correspondence analysis; (2) Pearson's chi-square statistic and (3) multivariate analysis of variance, this chapter has demonstrated that German and UK institutional contexts exhibit distinct stakeholder salience patterns that interact significantly with sector level patterns of stakeholder salience to fit the postulations of the varieties of capitalism analytical framework, which this study draws from to account for variations of corporate stakeholding and social responsibility across institutional and sectoral contexts, respectively. The next chapter will further discuss the findings articulated above drawing from extant literatures on corporate social responsibility, stakeholder theory, varieties of capitalism and new institutionalism. It will also bring in debates on globalisation-induced convergence and divergence of national and sectoral systems by leveraging dynamics of corporate stakeholder salience patterns in the sectors and countries of this study.

Chapter 8: Corporate Stakeholder Salience – An Institutionalist Perspective

8.1: Tone setting

This chapter will focus on bringing together the literature on comparative political economy and stakeholder management theory on which the entire thesis is built. It will draw on corporate stakeholder salience and empirical data extracted from corporate social reports to argue for the institutional embeddedness of corporate stakeholder salience and accountability. The aim is to stretch theorisation of corporate stakeholder salience beyond its current domination by managerial rationality and discretion by providing a different twist to understanding the same from an institutionalist perspective – i.e. institutional rationality (Lounsbury, forthcoming). The empirical analysis and findings of this research study will be situated within current debates in comparative political economy, stakeholder management theory, corporate accountability/governance and corporate social responsibility literatures in order to draw new insights and enhance our knowledge of the association between corporate stakeholder salience patterns and the institutional contexts in which they are embedded and enacted. It will also relate these to debates on the converging and or diverging influences of globalisation on, hitherto, different national institutional contexts – in our case, the German and UK contexts. In addition, it will explore the interaction between macro and micro processes of organisational practices. In this case, corporate stakeholder salience profiles expressed through representations in corporate social reports are used as a proxy practice to explore how the two economies are either converging or diverging. However, two key findings of this study are: (1) corporate stakeholder salience patterns are implicated in the interactions between national contexts and sector variations; and from this finding the study infers that (2) globalisation interacts with national systems at different levels - therefore, it could be concluded that convergence and divergence of institutional characteristics occur simultaneously and at different levels, differently. In other words, the one size fits it all approach to institutional convergence and divergence should be assessed with caution. It is also suggested that regulatory and social pressures on enhancing managerial accountability should aim to balance these pressures in line with the demands of macro level institutional characteristics.

However, it is important to reinforce at this stage that the main objective of this study is to explore if there are identifiable national and organisational field patterns of corporate stakeholding against the set background of the UK and German institutional contexts, respectively, as a way of signalling a complementary view of stakeholder salience to the managerialist /actor-centric views. The characteristics of these institutional contexts have been framed along the varieties of capitalism theoretical framework, which is explored in details in chapters 3 and 4 of this thesis (see Hall and Soskice, 2002; Amable, 2003; Aguilera and Jackson, 2003; Hancke et al., 2007 for more details). This chapter takes these institutional characteristics as foreground information and seeks to present and discuss the different manifestations of stakeholder salience patterns across national boundaries and trans-national social spaces, in line with the *central research question* of this study (see research problematique on section 4.4: pp. 138ff of this thesis) and as much as the content analysis data employed in this research study allow. Notwithstanding, the chapter takes discursive institutionalism (Schmidt, 2002, 2003) seriously and offers some 'loose insights' that would require complementary empirical grounding, as further suggested and articulated in the concluding chapter of this thesis.

8.2: New Institutionalism: Bridging the divide between macro and micro institutional research agendas

New institutionalism has, in recent times, continued to distance itself from a past trajectory anchored on accounting for institutional stability and isomorphism. This sort of approach dominated earlier works in the field – a classic example being the work of DiMaggio and Powell (1983) – and has come under heavy criticisms: first for mainly failing to credibly account for change; and secondly for being overly dependent on path dependency. It has also been critiqued for orchestrating institutions as deterministic structures over and above agents within these institutions. In this regard, it promotes institutional a-rationality and positions agents (individuals and firms) as socio-cultural dopes (Lounsbury, forthcoming). While these criticisms are substantially credible, it is worthwhile to place the new institutionalism movement within its historical antecedent, which was at a time a mere response to the overly rationalised social scientism, championed by utility maximising neoclassical economists and rational choice theorists, particularly in such fields as sociology and political science. Notwithstanding its contributions in providing complementary and sometimes alternative lens to understanding social reality, new institutionalism appears to have pushed itself too far to the extent that its pragmatic value is questioned. In this regard, and reflecting on it historical antecedents, Scott (forthcoming) opined that:

> A focus on the explanation of non-rational features of organizations threatened to condemn institutional theorists to play the role of subordinate hand-maiden to rational analysts (in their numerous guises), who would themselves attend to the adult concerns of constructing accounts of efficient organizations, leaving to institutionalists the scraps, accounting for the error-term in their equations (cited in Lounsbury, forthcoming)

Contrary to its past, stuck in accounting for institutional stability and isomorphism, new institutionalism has come to adopt a different approach that focuses on accounting for change and innovation. This new approach acknowledges that both change and stability are complexly interwoven and arise from multiple sources and levels. These sources and levels could be societal, extra-organisational and intra-organisational processes. The challenge in the literature, then, is to understand how these changes at multiple levels and from multiple sources interact and are enacted. This has also led to the shift from institutions as 'a-rational' or 'irrational' routines to an understanding of institutions as embodiments of rational practices – i.e. institutional rationality (Lounsbury, forthcoming). Accounts of how organisational fields and practices are created, maintained and disrupted have dominated organisational theory in the last couple of decades (Lawrency and Suddaby, 2007). Scholars have engaged with this new approach from different schools of thought as well as different communities of practice. Two communities of practice stand out clearly: (a) those focusing on macro institutional changes and (b) those focusing on micro-process and practices.

Sustained academic interests in neo-institutionalism, structurationism and the dynamics of trans-national institutions, in particular, have, in recent times, given rise to novel research interests in such areas as institutional entrepreneurship and institutional work (Lawrence and Suddaby, 2007). Institutional entrepreneurs are "...organized actors who skilfully use institutional logics to create or change institutions, in order to realize an interest that they value highly" (Leca and Naccache, 2006:634). Lawrence and Suddaby (2007) broadly categorised institutional entrepreneurship into three 'life-cycle' activities: (a) creating, (b) maintaining and (c) disrupting. Creating entails initiating institutional changes through shifting institutional logics; maintaining involves ensuring a form of stability in an institutional context through reproduction of status quo; while disrupting involves attacking or undermining of mechanisms that lead members to comply with institutions through deinstitutionalisation. Lawrence and Suddaby also suggested that each of these activities is further sustained by series of other sub-activities, as shown in the table below:

Table 8-0-1: Institutional Entrepreneurship Strategies

Creating	Maintaining	Disrupting
1. Advocacy – "the mobilization of political and regulatory support through direct and deliberate techniques of social suasion"	10. Enabling work – "the creation of rules that facilitate, supplement and support institutions"	16. Disconnecting sanctions/Rewards – disconnection of rewards and sanctions from some set of practices, technologies or rules.
2. Defining – "the construction of rule systems that confer status or identity, define boundaries of membership, or create status hierarchies within a field"	11. Policing – "ensuring compliance through enforcement, auditing and monitoring"	
3. Vesting – "institutional work directed toward the creation of rule structures that confer property rights"	12. Deterrence – "the threat of coercion to inculcate the conscious obedience of institutional actors"	17. Disassociating moral foundations – disassociation of practice, rule or technology from its moral foundation as appropriate
4. Constructing identities		

Creating	Maintaining	Disrupting
5. Changing normative associations – "re-making the connections between sets of practices and the moral and cultural foundations for those practices"	13. Valorizing and demonizing – provision of especially positive and negative examples that illustrate the normative foundations of an institution, for public consumption	within a specific cultural context
6. Constructing normative networks – "construction of … interorganizational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to normative compliance, monitoring, and evaluation"	14. Mythologizing – a focus on the past, rather than the present to preserve normative underpinnings of institutions through story	18. Undermining assumptions and beliefs – "to disrupt institutions by undermining core assumptions and beliefs"
7. Mimicry – associating the new with the old in some way that eases adoption		
8. Theorizing – "the development and specification of abstract categories, and the elaboration of chains of cause and effect" (quoting Greenwood	15. Embedding and routinizing – "actively infusing the normative foundations of an institution into	

Creating	Maintaining	Disrupting
et al., 2002:60)	the participants' day to day routines and organizational practices"	
9. Educating – "educating of actors in skills and knowledge necessary to support the new institution"		

Adapted from Lawrence and Suddaby (2007)

Institutional entrepreneurship is a major shift from the mimetic isomorphism that dominated neo-institutional theory for a long time. It has become a powerful and complementary perspective to accounting for institutional change and inertia; and has at the same time necessitated complementary ways of explaining organisational change and inertia (Feldman and Pentland, 2003), strategy and strategizing (Whittington, 2006; Jarzabkowski, 2005), innovation and institutions (Swan et al., 2007), and diffusion and translation of ideas (Abrahamson, 1996; Scarbrough and Swan, 2001; Czarniawska and Joerges, 1996) in different sectors, organisations and national systems. However, some of these schools and communities of practice run the risk of existing as isolated silos shielded from developments in complementary fields. For instance, there have been incessant calls (e.g. Lounsbury, forthcoming; Whittington, 2006; Hirsch and Lounsbury, 1997; Greenwood and Hinings, 1996) for scholars focusing on macro-institutional changes and innovation to account for how their findings inform understanding of micro-institutional processes – i.e. how broader institutional dynamics relate to intraorganizational processes – and vice versa. Accordingly, Lounsbury (forthcoming) argues that: "By focusing on how fields are comprised of multiple logics, and thus, multiple forms of institutionally-based rationality, institutional analysts can provide new insight into practice variation and the dynamics of practice".

The research study outlined in this thesis, fits well into this new institutionalist agenda of accounting for the links between macro (institutional or industry contexts) and micro (firm level practices) institutional practices. The research problematises corporate stakeholding and social reporting as contemporary or emergent organisational practices that need to be understood from a different lens apart from those of managerial rationality, which have dominated the extant literature on corporate accountability, corporate governance, corporate social responsibility and stakeholder management as a strategic management practice. The lens chosen for this study is the comparative political economy perspective – particularly those of comparative business systems (e.g. Varieties of Capitalism).

The varieties of capitalism analytical framework seeks to explain variations between capitalist systems as manifestations of institutional characteristics of the context in which they are enacted. It broadly categories capitalist economic systems into: (a) liberal market economies (typified by Anglo-American models of the UK and USA economies) and (b) co-ordinated market economies (exemplified by such economies as the German and Japanese economic systems). From this perspective it argues that firm performance is implicated in the degree of complementarity between different sub-systems within an institutional context. It leverages this categorization to go beyond firm performance to account for how institutional innovation and change are either constrained or enabled by the inherent complementarities or non-complementarities within an economic system (Vitols, 2006). In the same line of criticisms levelled against micro-institutional theorisation, the varieties of capitalism research perspective has largely focussed on macro-institutional contexts with minimal interests in accounting for intra-organizational processes and practices. It has often been accused of theorising firms as homogenous entities responding to institutional contexts with approximately similar strategies (Crouch and Ferrell, 2004; Deeg and Jackson, 2007). This view of varieties of capitalism model has received significant criticisms in the literature. Crouch (2005), in particular has rebuffed the seemingly simplistic categorisation of economies by the varieties of capitalism model arguing that firms are not socio-cultural dopes but are rational actors who interact with institutional contexts through extensive recombinant strategies. This research study is primarily designed to explore the relationship between stakeholder salience patterns manifested through corporate representational practices (corporate social reports) and the institutional context in which they are embedded and enacted.

The research acknowledges that practices could be studied at different levels: i.e. at the micro (managerial/firm), meso (industry) and macro (country) levels. This study methodologically brackets the micro level aspect (Giddens, 1979) since corporate stakeholder salience has been extensively examined at micro-level by scholars working in such fields as corporate accountability, social accounting, corporate governance, corporate social responsibility and strategic stakeholder management (see chapter two of this thesis for an extensive literature review on various shades of corporate stakeholding approaches). It focuses more on meso and macro levels of corporate stakeholder salience theorisation given that this aspect is under-emphasised and theorised in the extant literature. However, it does not ignore managerial influences on corporate stakeholder salience but rather assumes the case that managers (practitioners) are "... the critical connection between intra-organizational praxis and the organizational and extra-organizational practices..." (Whittington, 2006:620) and these influences are in turn externalised through corporate social reports. Continuing, Whittington (2006:621) argues that "...practitioners draw upon the set of practices available from their organizational and extra-organizational contexts..... These organizational practices will likely comprise both locally generated routines and practices originating from outside — such as standard strategy discourse — that have become thoroughly internalized". In other words, this research study presents "...an approach to practice that takes institutions more seriously" (Lounsbury, forthcoming).

Summary of findings of the empirical analysis supporting this research study suggests that there are identifiable patterns of corporate stakeholder salience between the UK and German institutional contexts. When these patterns are further probed, they confirm the research propositions of this study anchored on postulations of the varieties of capitalism framework, especially along those characteristics that have been suggested to be fundamental to each of the institutional contexts in the study. But there are still some key questions begging for answers. For example why do we find these patterns of corporate stakeholder salience across sectors and institutional contexts; and what is it about institutional contexts that shape corporate stakeholder salience in these patterns? The next sections of this chapter will focus on discussing these findings along these lines of enquiry and exploring the implications they could have for our understanding of corporate accountability, corporate social responsibility, corporate governance and finally the influence of globalization on institutional contexts.

8.3: Exploring r*epresentations* of corporate stakeholder salience patterns across sectors and institutional contexts

It is worthwhile to point out that the interpretations of the findings of this research study are largely based on the varieties of capitalism model of comparative capitalism. They are also founded on the recognition that "...firms are situated within a given society and political tradition, which will influence the decisions of individuals within the firm…" (Aguilera et al., 2006:148). This understanding goes beyond the discretional managerial rationality that has dominated corporate stakeholding theorisations for a long time – wherein stakeholder management is theorised as outcome of managerial perception and bounded rationality (Mitchell et al., 1997; Agle et al., 1999). However, the study offers a perspective that does not claim to provide answers to the 'processes' through which institutional contexts directly impact on corporate representations of stakeholder salience. It rather offers *'high-level interpretations of institutional characteristics'* and operates from the perspective that corporate representations of stakeholders in social reports – as a form of discursive institutional work (Schmidt, 2002, 2003) – reflect managerial attempts to express some form of institutional legitimacy to their 'relevant publics' (Lindblom, 1994), which will in turn suggest that corporate stakeholder salience patterns are not only functions of managerial discretion and rationality, as often presented in the extant corporate social responsibility literature, but are also reflections of their institutional influences. In sum, therefore, and as already stated, the findings of this research study suggest that corporate stakeholder salience patterns are not solely a function of managerial discretion but are also products of multiple institutional influences. In other words, managerial decisions in relation to corporate stakeholder salience patterns are reflections or internalisation of institutional influences in which the firms are embedded in. It also suggests that firms are products of their institutional environments.

These findings are in line with extant literature on the interactions between institutions, organisations and strategic choices (e.g. DiMaggio and Powell, 1983; Suchman, 1985; Peng and Heath, 1996; Hall and Soskice, 2001; Amable, 2003). For instance, Peng and Heath (1996) found that firms in planned economies in transition follow different strategies of growth compared to the 'traditional strategies for growth found in the West' – i.e. generic expansion and acquisition. In the contrary, firms in planned economies in transition adopted network-based strategy of growth, building on personal trust and informal agreements among managers due to the peculiarities of planned economies – e.g. State involvement, their social norms and practices. As such, Peng and Heath (1996:500/501) conclude that:

> Institutional frameworks interact with both individuals and organizations.... They influence individuals' decision making by signalling which choice is acceptable and determining which norms and behaviours are socialized into individuals in a given society. Institutional frameworks also affect the actions of organizations by constraining which actions by those organizations are acceptable and supportable within the framework.... In other words, institutions provide the rules of the game in which organizations act and compete. Such interaction between institutions and organizations shapes

> economic activities.... As a result, any attempt to explore a firm's strategic choice requires an understanding of the institutional framework in which the firm is embedded.

This understanding of the interactive influences of institutions on firms is one of the key and fundamental tenets on which new institutionalism is established (DiMaggio and Powell, 1983). The bid to explain how institutions impact on firm behaviour has led to different traditions of institutionalism in the literature. Amongst these is the comparative capitalism tradition – a term used to refer "...to a diverse set of approaches and analytical frameworks with common concerns in understanding the institutional foundations of diverse national 'varieties' of business organization" (Deeg and Jackson, 2006:149-150). The varieties of capitalism model as one of the variants of comparative capitalism tradition offers a comparative framework to understand the political economy of firm behaviour and performance. As an offshoot of institutional theory it seeks to explain variations and change within the capitalist system, since the late 80s, following the demise of the competing threat of communism as a viable alternative (Kang, 2006). The central theme of the varieties of capitalism model is the macro-economic dichotomization of institutional contexts in which firms operate, based on such indices as legal and governance systems, sources of finance and skills, and other socio-legal indices like degree of labour unionisation and incursions of regulatory authorities. According to Vitols (2001), varieties of capitalism model "...offers a framework within which the linkages between external investors and other actors relevant to the firm can be systematically explored". And "...the concepts of coordinated market economies (CMEs) and liberal market economies (LMEs) provide a broader institutional context within which stakeholder and shareholder models of governance, respectively, can be analyzed" (Vitols, 2001:337/8). Applying this framework to the results of this study explains clearly the variations between UK and German corporate stakeholder salience patterns as postulated in the guiding propositions of the study.

It is evident that the UK and German firms differ significantly on those parameters that are uniquely peculiar to the two different institutional contexts. The principle of co-determination in Germany, which is absent in the UK, for instance gives an indication that the employee stakeholder group could be important in the German context. However, this difference is not a straightforward one, because this does not completely manifest across all the sectors in a similar pattern. This is not limited only to the employee stakeholder salience but also applies to shareholders, management and networks stakeholder groups, as shown in Table 8.2 below.

Table 8-0-2: Within Country Sector Averages

WITHIN COUNTRY SECTOR AVERAGES						
	Aviation		Financial Services		Utilities	
	Germany	*UK*	*Germany*	*UK*	*Germany*	*UK*
Community	18.8	18.6	4.9	24.6	9.3	24.9
Consumers	10.5	10.8	2.7	14.7	6.5	22.1
Employees	23.0	26.1	7.8	19.4	24.5	20.0
Environment	108.2	51.0	75.6	20.0	23.8	53.4
Management	48.0	22.0	27.2	37.0	18.1	22.5
Shareholders	23.2	34.2	36.5	20.3	13.8	36.2
Networks	36.2	0.5	15.9	14.9	14.4	35.6

The data show that this difference is more apparent in the Utilities sector and appears less significant in ranking in both Financial Services and Aviation sectors (see also Table 7.2 on pages 234-235). The employee stakeholder group is ranked highest in German Utilities and appears at the bottom of UK Utilities ranking. However, it made the first top four on the ranking lists of both Financial Services and Aviation. This could further be appreciated if the data are disaggregated into years (i.e. 2000 to 2006). The graph (see Figure 8.1, below) shows that, at least, patterns of employee stakeholder salience in the UK and German Aviation sectors are moving in similar directions.

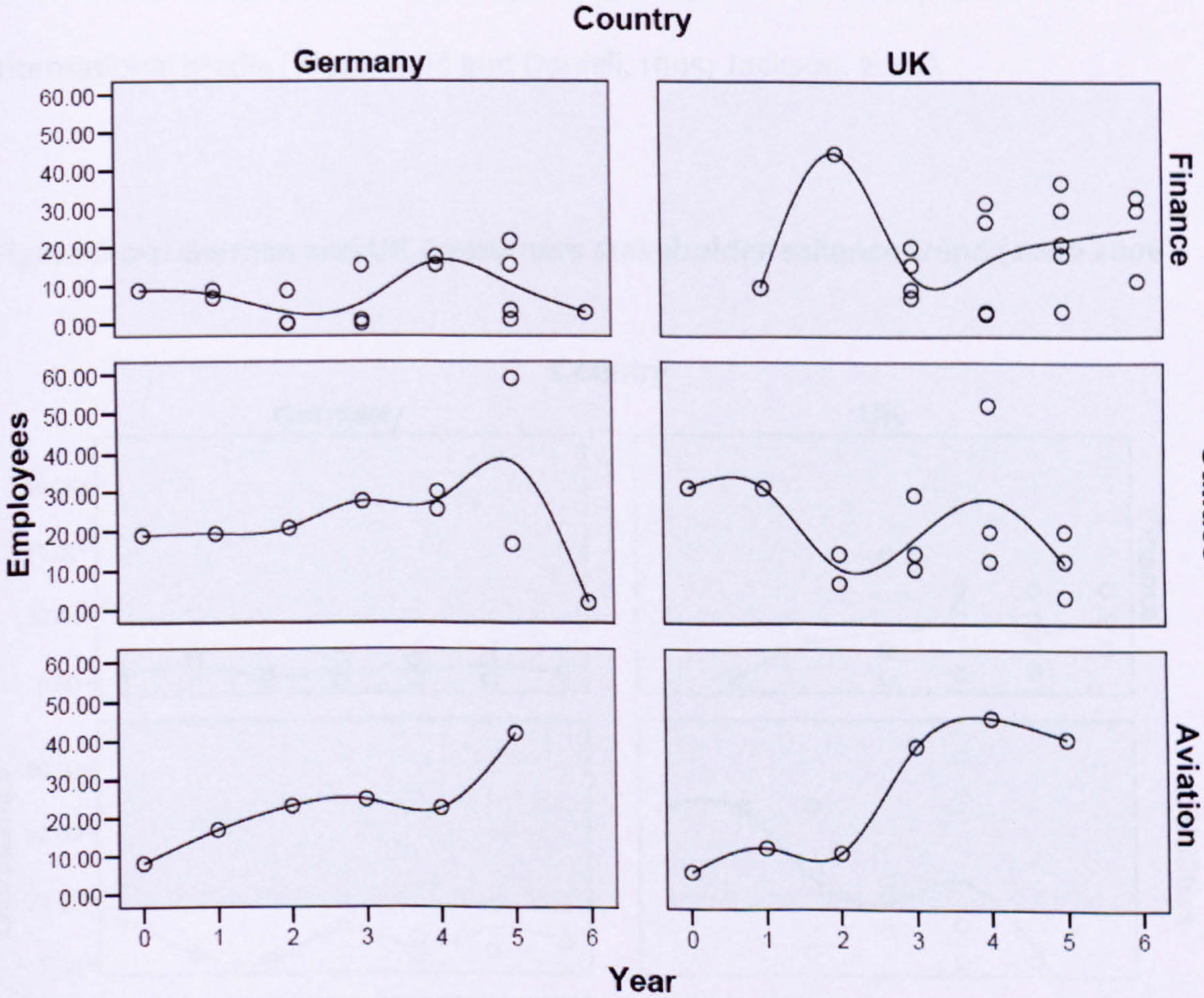
One way to unpack this similarity and differences could be to argue that both Financial Services and Aviation sectors in UK and German are much more open to international/global pressures that are forcing them to adopt similar practices than the Utilities sector that is to a large extent still part and parcel of national public services infrastructure and fabric (Arrowsmith and Maund, forthcoming; Arrowsmith, 2000, 2006) and closer to government's grips than either Financial

Services or Aviation. It has also been noted that the parallel existence of co-determination and collective bargaining regimes, respectively, in recent times in Germany, undermines the institutional stability of the German model (Hassel, 1999). The emphasis on employees in both Financial Services and Aviation could also be a reflection of the service nature/orientation of the two industries, in which competition is driven by quality and people-embodied competences. Reflecting this service orientation and link to employee interests, Martin Schmitt - Senior Vice President Executive Personnel, Lufthansa - wrote:

> For Lufthansa as a service provider, this is a decisive perspective. Every day, more than 28,000 Lufthansa employees in direct customer contact demonstrate our high levels of service quality. This requires a willingness to perform which we can only achieve with enthusiastic and highly qualified employees (Lufthansa, 2004:4)

And this could not be better expressed than in the words of Sir Fred Goodwin – the Group Chief Executive of Royal Bank of Scotland (RBS): "We need the trust of our customers, or we will not win their business, and the trust of our employees, or we will not be able to attract and retain the best people" (RBS, 2004:5). As such one can argue that both sectors (i.e. Financial Services and Aviation in UK and Germany) are exhibiting service pressures induced by the people-centred knowledge economy (Sturdy and Fleming, 2003; Sturdy, 1998), while the Utilities sectors (i.e. the contrasting dissimilarity in attention paid to employees in UK and Germany) instead reflect more of the distinguishing characteristics of their respective institutional contexts.

Figure 8-0-1: German and UK Employees stakeholder salience trend (2000-2006)



This link to service and the knowledge economy is also reflected in the attention paid to customer stakeholder groups and management as providers of service and knowledge. In both instances, the Financial Services and Aviation sectors in both UK and Germany show similar patterns of corporate stakeholder salience profiles, respectively. As earlier stated, attention to customer needs has been identified as a key survival strategy in contemporary globalised economy (Deshpande et al, 1993), and the diffusion of this ideology has been sustained to a large extent through organisational practices of Transnational Corporations (Abrahamson, 1991; Siu and Darby, 1995), management consultants and the international media (Bloomfield and Danieli, 1995; Jackson, 2001).

Figure 8-0-2: German and UK Consumers stakeholder salience trend (2000-2006)

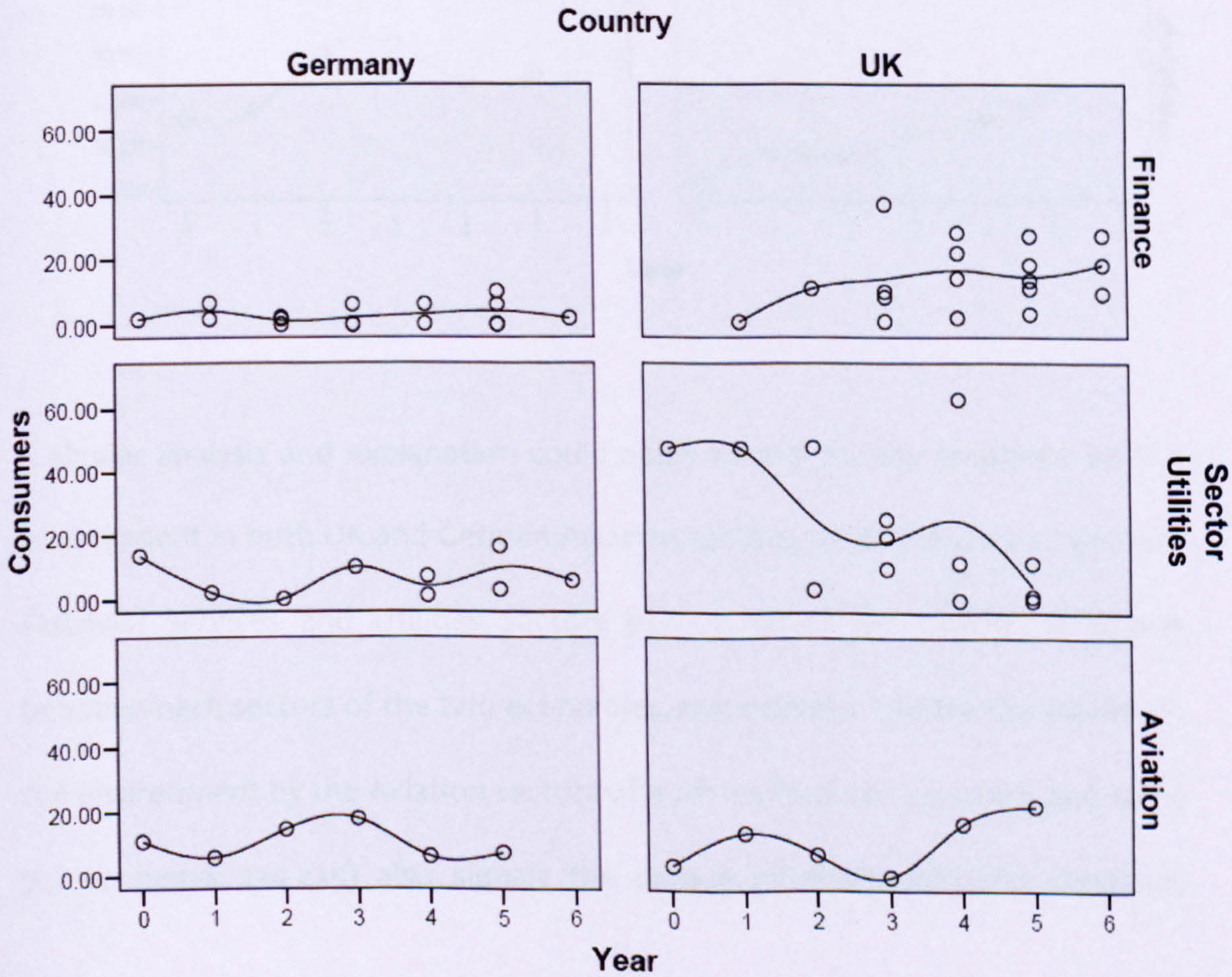
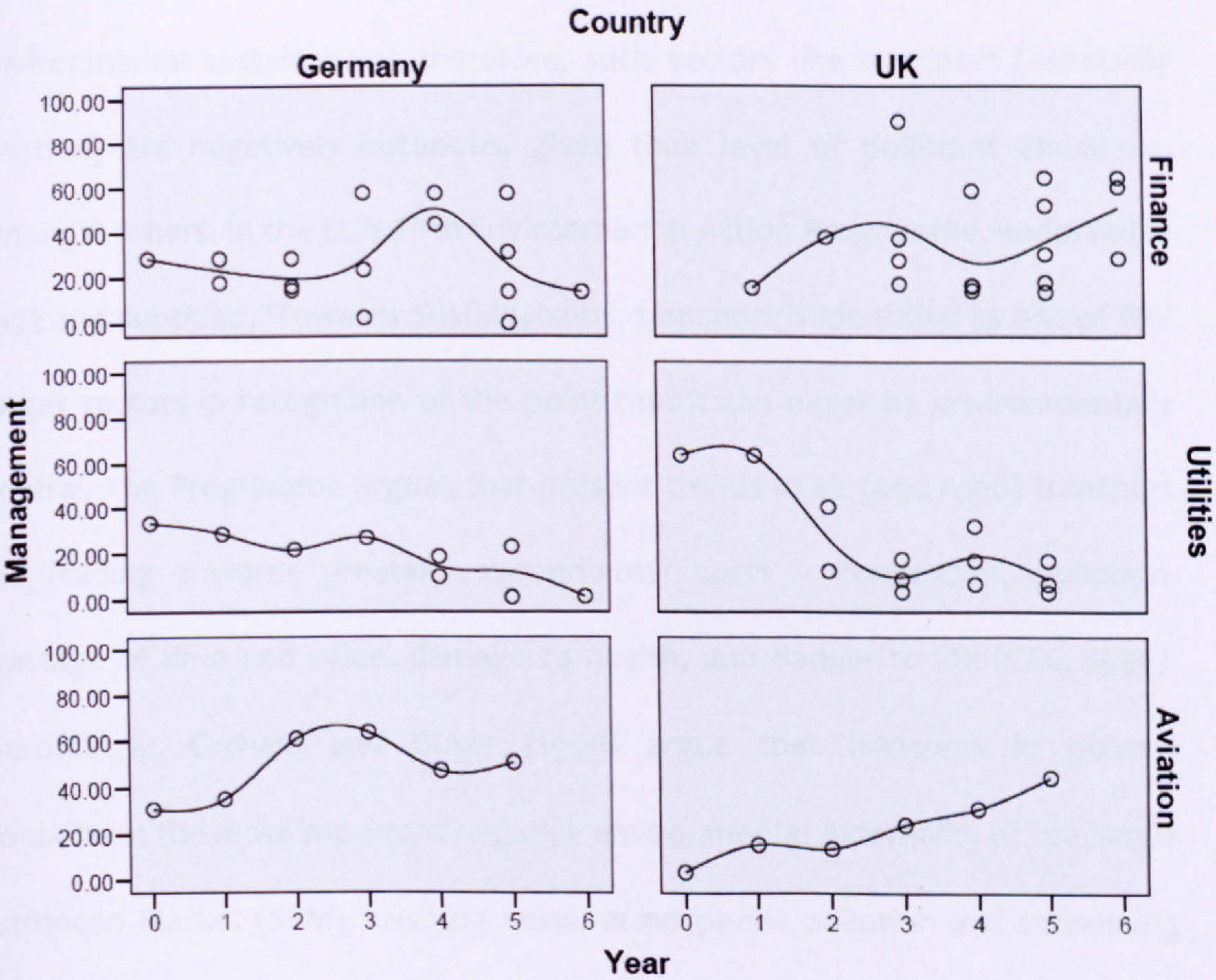
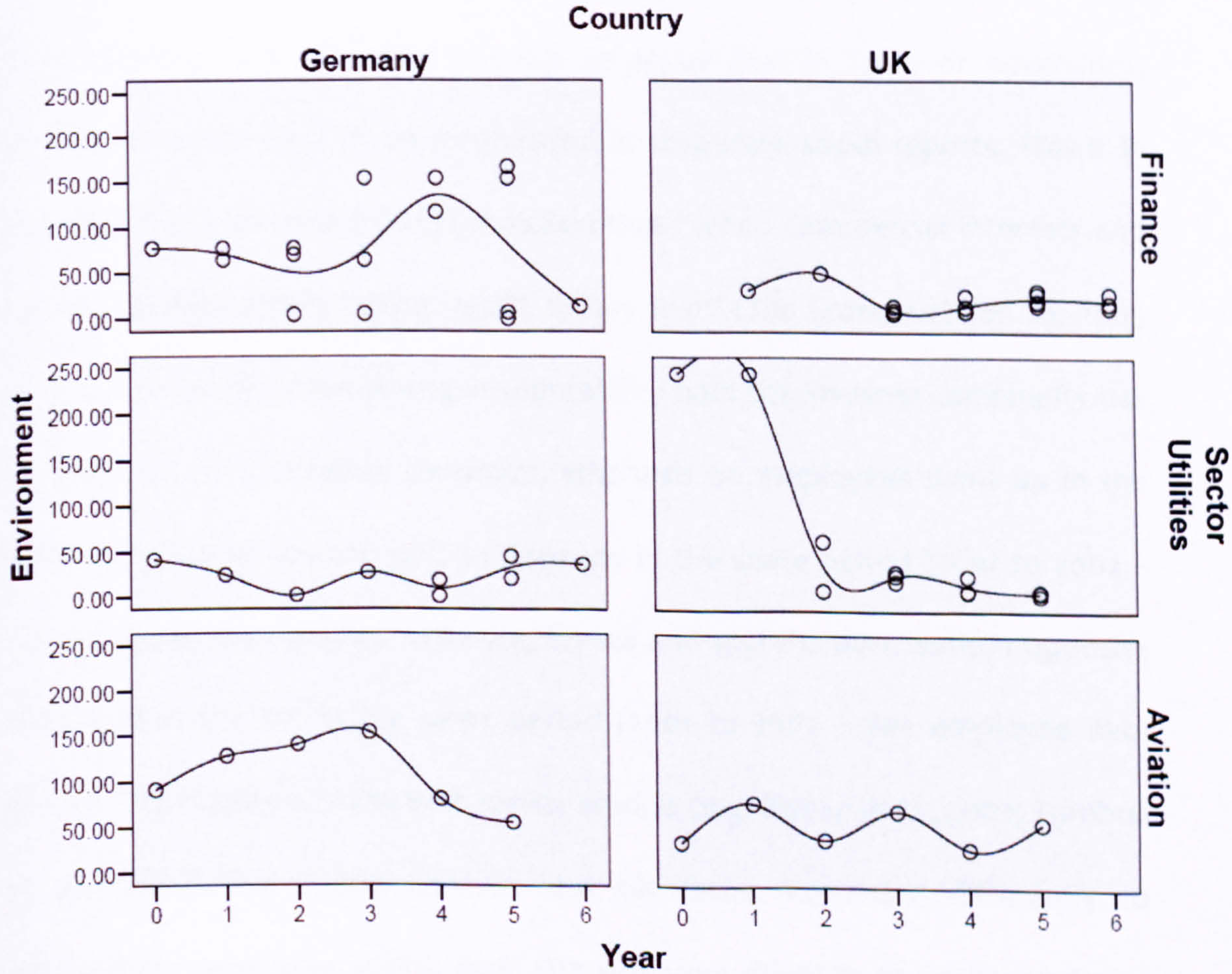


Figure 8-0-3: German and UK Management stakeholder salience trend (2000-2006)



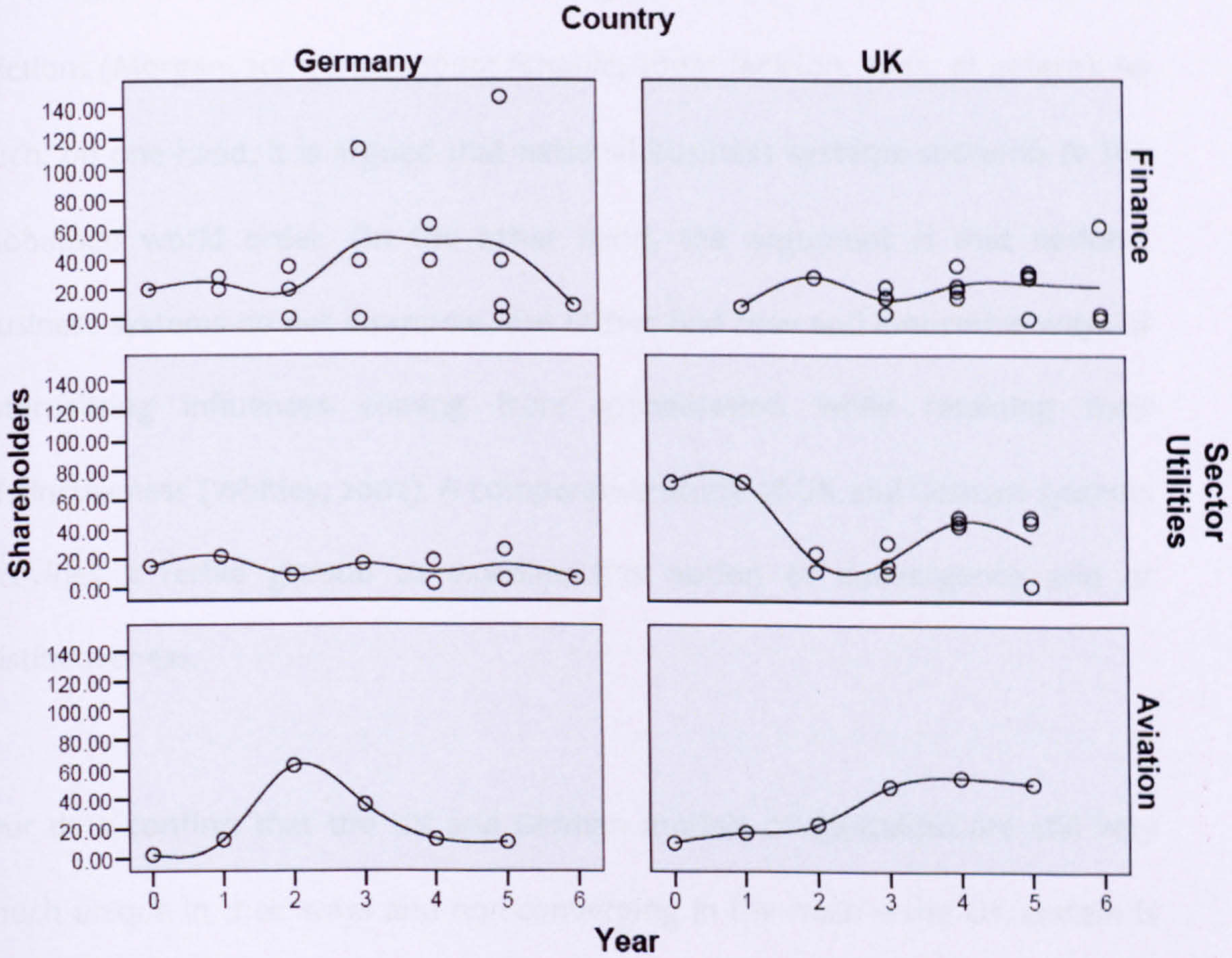
A similar analysis and explanation could apply to the priority emphasis on the environment in both UK and German Aviation sectors, while the UK and German Financial Services and Utilities sectors placed non-similar ranking emphasis between each sectors of the two economies, respectively. The priority placed on the environment by the Aviation sectors of both institutional contexts (see Table 7.2 on pages 234-235) also signals the unique international/global demands placed on the Aviation sector in relation to care for the environment. This pressure is even on an increase as the discourse on ecological sustainability and climate change grows (Amaeshi and Crane, 2006). In the quest for environmental sustainability, therefore, such sectors like transport (especially aviation) are negatively notorious, given their level of pollutant emissions, amongst others. In the EU's Fifth Environmental Action Programme, endorsed in 1993 and subtitled, 'Towards Sustainability', transport is identified as one of five target sectors in recognition of the point that it can never be environmentally neutral. The Programme argues that present trends in air (and road) transport are leading towards greater environmental costs – congestion, pollution, wastage of time and value, damage to health, and danger to life (CEC, 1996). Accordingly, Graham and Guyer (1999) argue that transport in general constitutes the most important negative environmental externality of the Single European Market (SEM), creating noise, atmospheric pollution and consuming large areas of land, while being dependent on non-renewable energy resources. Although its aggregate impact is minor compared to road traffic, air transport accounts for around 10% of all transport energy consumption in the EU and is responsible for approximately 15% of all CO_2 emissions (Stanners and Bourdeau, 1995). In this regard, there is need for airports and airlines to be driven by sustainability goals in their quest for development. And as Graham and Guyer (1999:168) put it: "Any enhancements to airport capacity, whatever their form, depend on a proactive environmental policy on the part of airport operators, addressing not only noise but the entire suite of environmental externalities engendered by the air transport industry". These environmental externalities are likely to affect or be affected by different stakeholders; therefore, one possible way of addressing them would be to proactively engage with the different stakeholders.

Figure 8-0-4: German and UK Environment stakeholder salience trend (2000-2006)



Another interesting fact coming from the data is how corporate stakeholder salience reacts to shock in an industry. The global Aviation sector witnessed an immense shock following the 9/11 event of 2001 that led to massive losses in revenues, profits and employment. Since most reports are likely to be a year behind the actual activities of firms, it could be argued that the 2002 data internalised the shock of the preceding year. It is on this assumption that the sharp rise on the emphasis on shareholders in both institutional contexts could be appreciated. And it appeared like a one off increase in German data that went down again from 2003, but continued in an upward direction in the UK data (see graph below). It is therefore possible to argue that in faces of adversities, shareholders are likely to be emphasised in corporate social reports. This is in line with *The Economist* (2005) prediction that "when commercial interests and broader social welfare collide, profit comes first" (*The Economist* Jan 22, 2005 p.4). It also confirms the strong accountability hold the investor community has on firms. In an antithetical dynamics, emphasis on employees went up in the same direction as shareholders in Germany in the same period (2001 to 2002 – see employee data graph), while employees and shareholders went in opposite directions in the UK in the same period (2001 to 2002 – see employee data graph). This finding is in line with similar studies (e.g. Blyton et al., 2002; Turnbull et al., 2004) that found German and UK firms responded differently to employment pressures arising from the 9/11 slow down in the global aviation industry – an event that led "...to a major restructuring of management-labour relations in many airlines" (Turnbull et al., 2004:288). Turnbull et al. (2004) argued that "... management responses to the crisis were markedly different where social partnership was already well established and embedded in national employment law and corporate HR policies than where more adversarial patterns of industrial relations prevailed" (p.292). The UK institutional context will perfectly represent the latter scenario while German institutional context fits the former. A further distinction between these institutional contexts, according to Turnbull et al., (2004) is that "Many UK firms are prepared to 'open the books' when company is in difficulties, but are very reluctant to share corporate information or consult employee representatives at other times. In coordinated market economies, in contrast, management is legally obliged to provide information, consult employees, and negotiate with trade unions on a wide range of financial, operational, and employment issues. This counteracts the asymmetry of power in organizations, thereby promoting cooperation between management and labour" (p.289-290).

Figure 8-0-5: German and UK Shareholders stakeholder salience trend (2000-2006)



As earlier argued in this thesis, institutions shape the social and political processes of how stakeholders' interests are defined ("socially constructed"), aggregated, and represented with respect to the firm. A trend that has been hanging over recent debates in comparative capitalism is the idea that the different systems are converging under the powerful influence of globalization. There have been an increasing number of voices suggesting convergence of global corporate governance systems. For example it has been argued that both Japan and German, which have been widely conceptualised in the extant literature following the stakeholder model, are gradually opening up and adapting to the Anglo-Saxon shareholder governance model, albeit with some frictions (Morgan, 2001; Dore, 2000; Amable, 2003; Jackson, 2005, et cetera). As such, on one hand, it is argued that national business systems succumb to the globalised world order. On the other hand, the argument is that national business systems do not disappear, but rather find new and innovative ways of internalising influences coming from globalisation while retaining their distinctiveness (Whitley, 2002). A comparative study of UK and German systems provides a fertile ground to examine this notion of convergence and or distinctiveness.

Our data confirm that the UK and German models of capitalism are still very much unique in their ways and non-converging in the main – the UK system is still shareholder dominated while the German system is stakeholder dominated. However, one would have expected the Employee stakeholder group to be top on German agenda following the co-determination practice of industrial relations in Germany. The drop in Employee stakeholder salience could be linked to the gradual introduction of neo-liberal economic practices in Germany which is leading to the following: pension reforms, gradual introduction of subsidies and tax advantages to private and occupational schemes, and introduction of a less generous pension-indexation mechanism which have culminated in reduced protection against dismissal for white-collar and small-firm workers (Amable, 2003:248). These reforms also confirm German's gradual conformity to neo-liberal corporate governance practice (Amable, 2003; Shinn, 2001). But in summary, these changes in themselves do not suggest any radical deviations or changes in the German system. These sort of radical changes are not easily foreseeable given that "...welfare systems are embedded in national regulations which are difficult to change without substantial transformation in the structure of interest groups" (Amable, 2003: 246). Continuing, Ambale strongly argue that:

> The Continental European model of capitalism still exists and will do so in forthcoming years. Its features have nevertheless been altered: bank-based finance has not vanished althogher, but it no longer plays the role it used to; the labour market has been made more 'flexible' and the prospects for an increase in job security are uncertain; the social-protection system has experienced a limited adjustment to times of austerity and will have to face the challenges of the ageing population and social exclusion.... As always, one can expect increased pressure for real-wage moderation and a wave of relocation of the most labour-intensive activities.... This is likely to augment unemployment problems in segments of the labour force where they are already serious, i.e. for low-paid and low-skilled workers..... (However)... a move towards a generalization of the market-based model on the Continent is not foreseeable (p.261).

Moreover:

> The VoC approach, however, recognizes that the barriers to fundamental institutional change are very high and is therefore sceptical about wholesale convergence arguments. Institutions derive from deeply rooted historical traditions and typically are defended at the least by vested interests if not by powerful actors within national systems who will recognize the comparative advantages of their institutions. The typical nature of institutional change should therefore be incremental, reflecting the politics of bargaining between 'traditionalists' and 'modernizers'. (Vitols, 2001: 346)

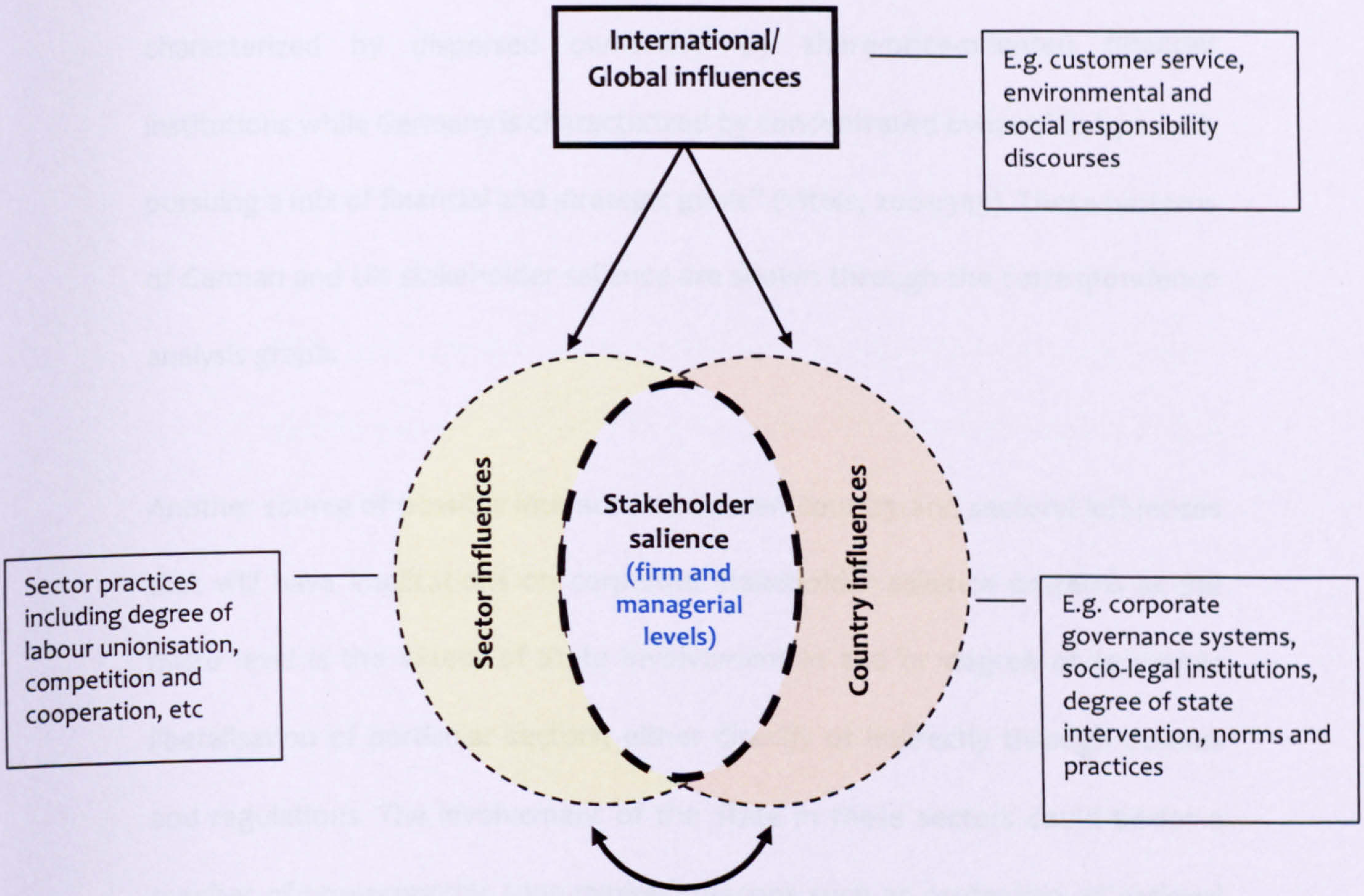
In summary, then, whilst the UK and German institutional contexts continue to remain distinct in many ways, corporate stakeholder salience patterns also reflect the ongoing changes in both economies. The findings of this study, on one hand, give further credence to the embedded nature argument of both corporate governance and corporate stake-holding practices and, on the other hand, challenges the view that globalization is converging hitherto divergent capitalist systems. What could be happening at best is the internalisation (or hybridization – see Aguilera and Jackson, 2003) of global pressures in distinct ways by the different capitalist systems. What these findings suggest is that corporate stakeholder salience patterns are outcomes of sectoral, national and or international influences. And therefore, managers' stakeholder salience decisions are likely to be constrained and enabled by these influences. In combination, however, the results of this study suggest that these influences are harmonised or internalised by the different varieties of capitalism in such a way as not to compromise on their national distinctiveness. This ability of national institutional contexts to find new ways of adapting to external influences (especially those arising from globalisation and regionalisation – in the case of Europe), is one of the critical current challenges confronting comparative capitalism models. Commenting on this and in line with the findings of this research study, Vitols (2001) says:

> Since VoC stresses the embeddedness of national institutions as well as the possibility of 'complementarities' between different combinations of these institutions, VoC hypothesizes that responses to [internationalisation or globalisation] other than convergence are possible. Companies may respond very differently to similar sorts of pressures and distinct sets of 'best practice' contingent on the national context may emerge (Vitols, 2001: 338)

Diagrammatic representations of the interactions between sectoral, national and global influences on corporate stakeholder salience patterns are presented below (**figures 8.6 and 9.1**). Some influences arising from international and global scenes penetrate both sectors and institutional contexts from different directions. Examples of such global influences are such discourses as customer orientation, environmental and social responsibility, which are internalised by different sectors in different intensities. The results of this research study show that aviation sectors of both UK and German institutional contexts show similar patterns of corporate stakeholder salience towards global environmental discourses, whilst the UK and German financial services and utilities sectors responded to these environmental discourses in distinct ways. Both sector and country influences also interact. This interaction between sector and institutional context lies at the heart of the complementarity principle in comparative capitalism framework. As a result, Deeg and Jackson (2006:152) write:

> A key concept for understanding configurations of capitalism is institutional complementarities.... Complementarities may be defined as situation where the difference in utility between two alternative institutions U(x')-U(x") increases for all actors in the domain X, when z' rather than z" prevails in domain Z, and vice versa. If conditions known as 'super modularity' exist, then x' and z' (as well as, x" and z") complement each other and constitute alternative equilibrium combinations.

Figure 8-0-6: Multiple sources of influence on corporate stakeholder salience



In this case, the corporate governance structure in Germany that promotes co-determination and high degree of labour unionisation is a complementary influence to firms within the German system in their emphasis on employee stakeholder group. In the same vein, the social norms and practices of German institutions that emphasise inter-firm collaboration and institutional trust as opposed to contractual or market-based relations are complementary institutions towards networks stakeholder salience in the German context. In contrast, UK firms gravitate towards shareholders salience in line with institutional provisions of the liberal market economy, since "[T]he UK is characterized by dispersed ownership by share-price-oriented financial institutions while Germany is characterized by concentrated ownership by actors pursuing a mix of financial and strategic goals" (Vitols, 2001:343). These patterns of German and UK stakeholder salience are shown through the correspondence analysis graph.

Another source of possible interaction between country and sectoral influences that will have implications on corporate stakeholder salience patterns at the micro level is the extent of State involvement in and or degree of economic liberalisation of particular sectors, either directly or indirectly through policies and regulations. The involvement of the State in these sectors could be for a number of non-economic (non-market) reasons such as protection of national security, enhancement of national identity, provision of social welfare and duty to the citizenry, to mention but a few. This State involvement, which often runs contrary to economic liberalisation agenda, is likely to give rise to variations of corporate stakeholder salience patterns across sectors. Relating this lens (or degree) of State involvement in (and or degree of economic liberalisation of) an industry to the results of this study offers some interesting insights. In the first instance, German and UK economies are different in relation to State involvement in the market. While the UK runs on liberal market economy, Germany runs on coordinated market economy (Hall and Soskice, 2000). It is argued that the State displays more propensity to intervene in coordinated market economies than in liberal market economies where the private actors take leading roles. As a result and in paraphrasing Hall and Gingerich (2004), Hancke et al (2007:23) comment:

> CME-type strategic complementarities, positive spillovers, and public goods provision are inhibited by power asymmetries, organizational fragmentation, and class conflict, as (for the same reasons) are the complementarities that derive from the less visible market discipline found in LMEs. Yet instead of facing permanent and destructive economy dysfunctionality, in economies that exhibit such patterns – e.g. France, Italy, or Spain – stability appears to prevail as well (as too does strong economic performance), and often the state provides that element of stability (if not fully fledged coordination) by compensating for weaknesses elsewhere in the political economy.

Other scholars of comparative capitalism – particularly Vivien Schmidt (2002) and Richard Whitley (2005) – have argued for the State to be brought back in comparative capitalism discourse. However, the broad brush application of the typology could distract from industry level typologies that could cut across varieties of capitalism framework. Some sectors within both German and UK economies are also likely to exhibit different degrees of economic liberalisation, given their trans-national nature. For instance, there are some industries that attract significant national interests given their strategic positioning in the economy and or their likely impacts on the citizenry. Some of these industries tend to be in the Utility sectors – energy, electricity, post, telecommunication, water, transportation, et cetera (see Arrowsmith and Maund, forthcoming; Arrowsmith, 2000, 2006 for details). With regards to the proximity of the Utility sector to governmental influences, Arrowsmith (2006:341) states that: "... utility sectors, ...[are] potentially subject to governmental influence to favor national industry (for example, because of dependency on government for their operating licenses) and [are] not subject to the kind of commercial pressures that would enable them to resist such influence".

The findings of this research study (as shown in Table 8.3 below) exhibit the characteristics of these two dimensions of State interventionism and national identity, on one hand, and degree of economic liberalisation, on the other hand, at both the national and industry levels, respectively.

Table 8-0-3: Country Level and Across Country Sector Averages

	COUNTRY LEVEL AVERAGES	ACROSS COUNTRY SECTOR AVERAGES

	Germany	UK	Aviation	Financial Services	Utilities
Community	11.0	22.7	18.7	14.8	17.1
Consumers	6.6	15.9	10.7	8.7	14.3
Employees	18.5	21.8	24.6	13.6	22.3
Environment	69.2	41.5	79.6	47.8	38.6
Management	31.1	27.2	35.0	32.1	20.3
Shareholders	24.5	30.2	28.7	28.4	25.0
Networks	22.1	17.0	18.4	15.4	25.0

The financial services sector, for instance, is the most liberalized and globalised of the sectors used in this study (see: Berger et al., 2000). In Europe the economic liberalisation of the financial services sector is further enhanced by EU policies such as the Single Market Programme and European Monetary Union. On the other hand, network utilities, which include gas, electricity, water, rail, and fixed link telephony, often operate under terms set by the State, given the tension that often arise between investors (often monopolies) and consumers in these sectors (Newbery, 1999). As shown in Table 8.3, these two sectors (i.e. Financial Services and Utilities) exhibited the unique characteristics of LME and CME, respectively – with the Financial Services sector placing emphasis[27] on Shareholders (2nd, average = 28.4) and Management (2nd, average = 32.1) stakeholder groups, whilst the Utilities sector places emphasis on Networks (1st, average = 25) and Employees (2nd, average = 22.3). As such the study confirms the propositions that:

[27] Emphasis in this case is loosely determined by a sector coming either 1st or 2nd on average scores on a stakeholder group

Proposition 10a: Irrespective of national institutional characteristics, the higher the degree of liberalisation of a sector, the more a sector exhibits the core characteristics of the Liberal Market Economy (e.g. emphasis on shareholders and management stakeholder groups)

Proposition 10b: Irrespective of national institutional characteristics, the higher the degree of State influence on a sector, the more a sector exhibits the core characteristics of the Coordinated Market Economy (e.g. emphasis on employees and networks stakeholder groups)

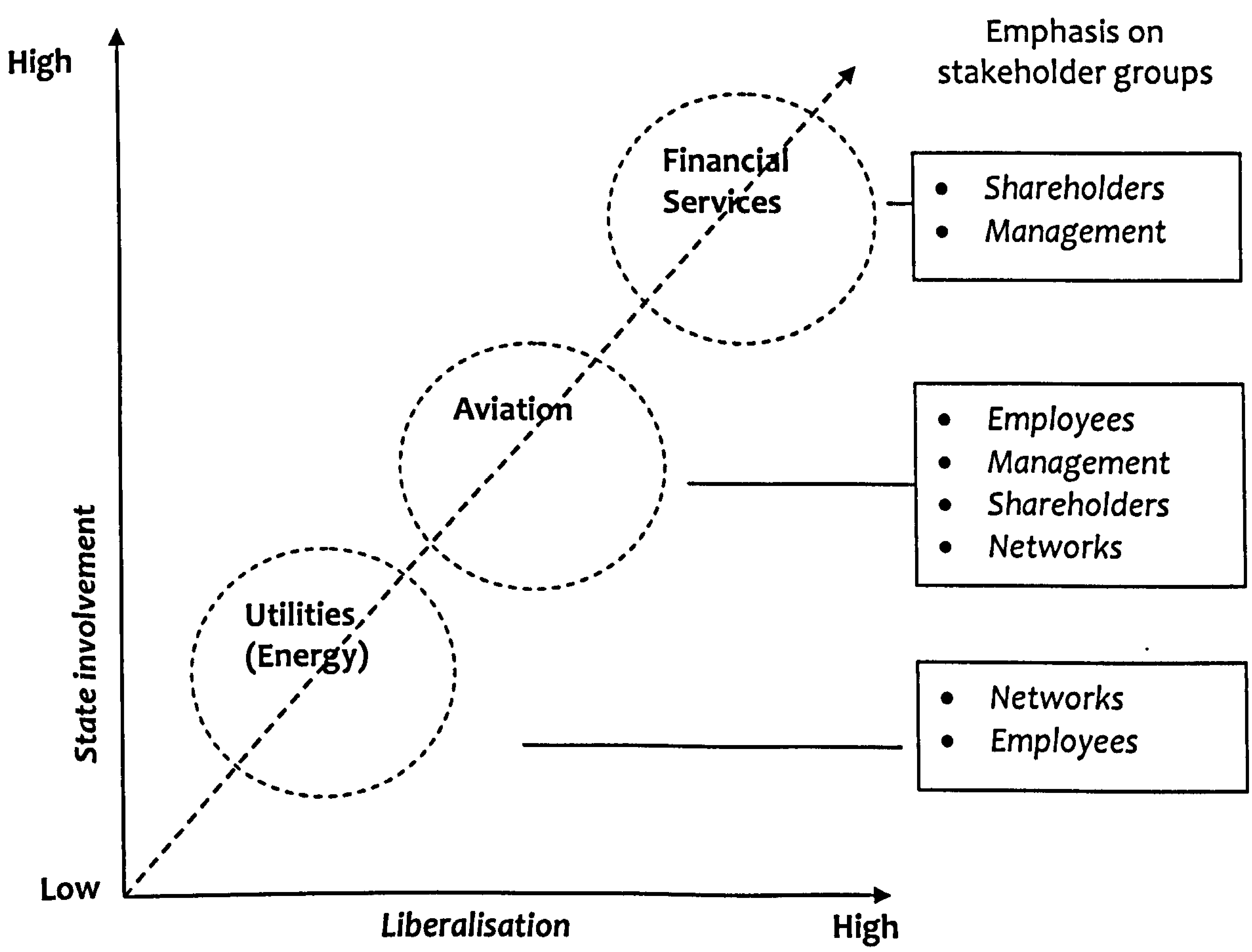
Aviation could be rightly considered as an averagely liberalised sector given "...that the industry is not perfectly contestable" (Dodgson, 1994:355), especially due to 'flag carrier duopolies'[28] and the fact that domestic markets in Europe were only fully liberalised in 1997 (Morrell, 1998). Although "...international aviation has been slower to introduce unilateral liberalization" (Gillen, 2006:367), the sector is equally susceptible to global pressures (Morrell, 1998). Therefore, in its mixed-mode dual identity, the Aviation sector could be rightly theorised to be more likely to seek legitimacy amongst more 'relevant publics' cutting across the LME and CME divides than either the Utilities or Financial Services sectors would, as evident in Table 8.3. The Aviation sector

[28] Signifying the State influence on the Aviation sector

came either first or second on the averages against the following stakeholder groups: Employees (1st, average = 24.6); Management (1st, average = 35); Shareholders (1st, average = 28.7) and Networks (2nd, average = 18.4). This finding confirms the proposition that:

Proposition 10c: Irrespective of national institutional characteristics, sectors with mixed degree of State influence and degree of liberalization, also exhibit mixed characteristics of both Coordinated Market Economy and Liberal Market Economy

Figure 8-0-7: State Involvement vs. Degree of Liberalisation

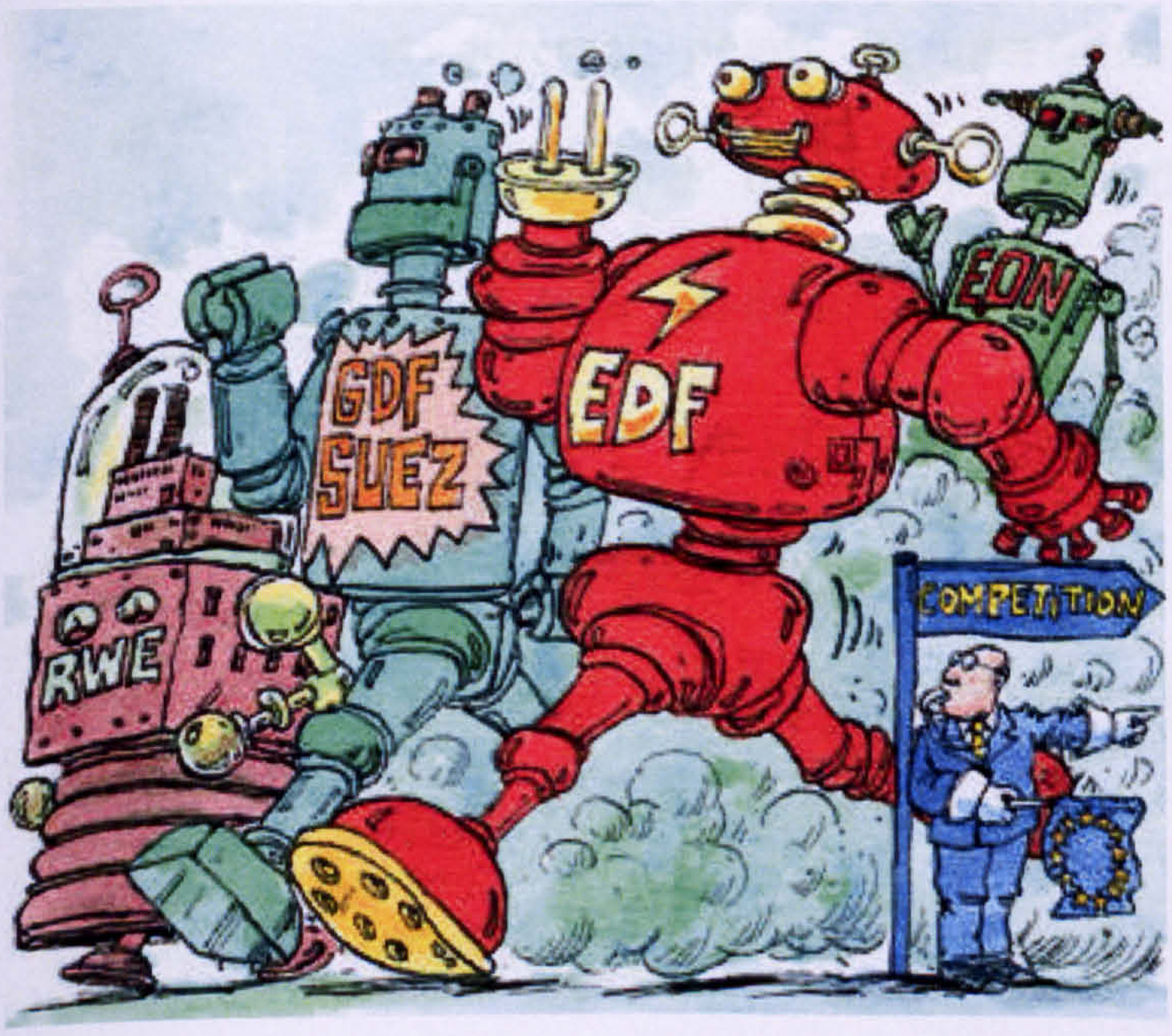


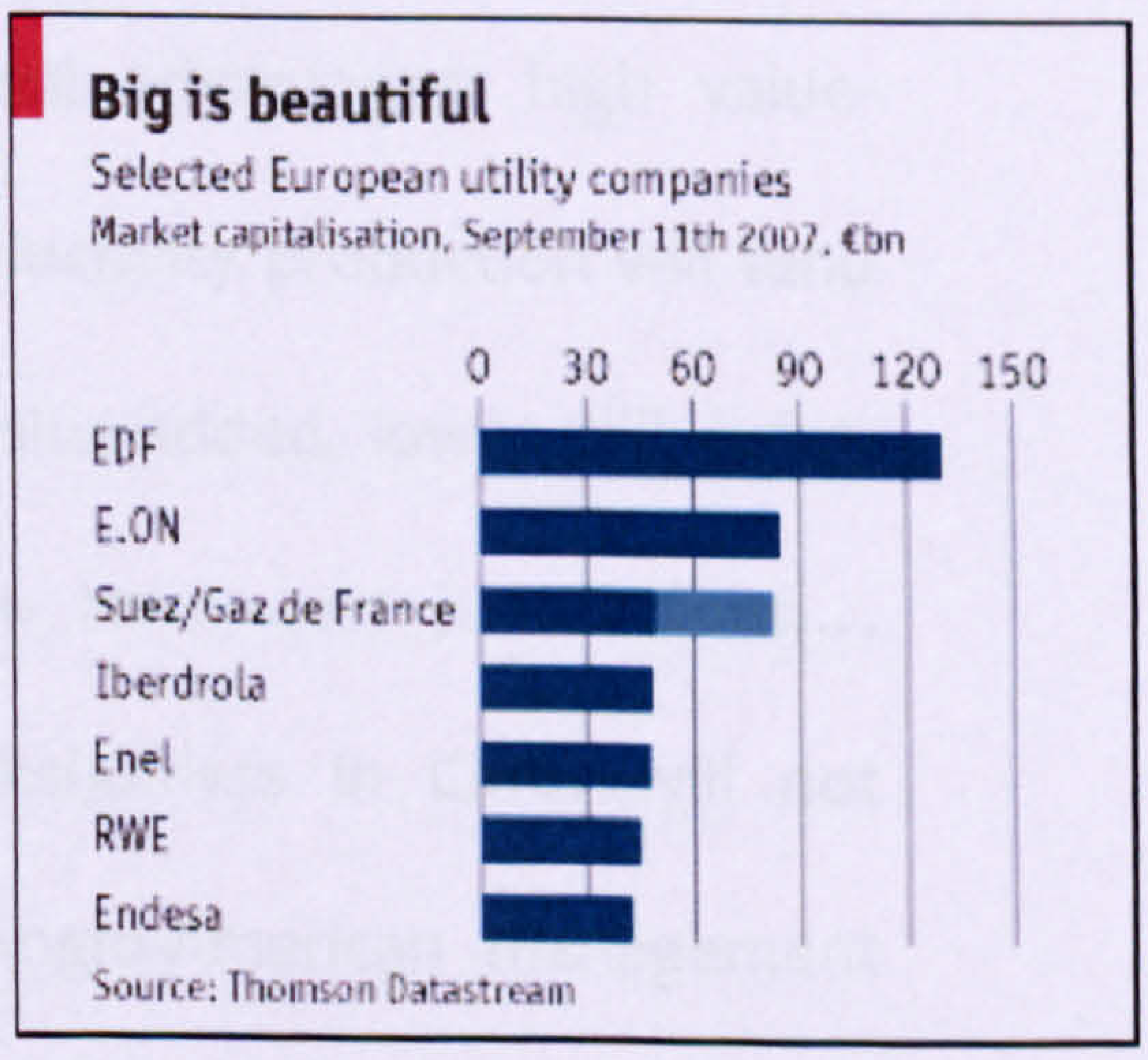
In addition, given the liberalised nature of the Financial Services sector it could be said to be less strategically positioned to attract national interests and or impact adversely on the citizenry than industries in the Utility sectors[29]. As such, it is not surprising for the German Financial Sector, for instance, to deviate significantly from both German Utilities and Aviation; and gravitate more towards the UK liberal market economy than both Utilities and Aviation in that order. Utilities in both countries tend to display significant degree of State involvement – to the extent that the correspondence analysis data shows that the UK Utilities sector is closer to the border-line of the German coordinated market economy than both Aviation and Financial services sectors, respectively. In the case of Utilities, in particular, it could be the case that some European Utilities that have bought into UK Utilities sector are beginning to infiltrate German practices into the UK Utilities sector as a way of maximising comparative institutional advantage, which "...actually leads to a stronger pattern of industrial specialization rather than the convergence of industrial

[29] It is important to point out that this may not hold in periods of global financial recess and or economic turmoil – especially where an economy is strongly built around the financial services sector. The current rescue of the Northern Rock Bank, by the UK Government is a classical example. The data collected for this study do not capture any of such eras of financial recession and economic turmoil. Nonetheless, it would be nice to explore this proposition in previous eras of global financial recessions and subsequent corporate social reports following the current threat of recession.

profiles between the UK and Germany". (Vitols, 2001:350). Along this line of the influence and reach of German Utilities, *The Economist* in its edition of September 15th – 21st 2007 presents a satirical but insightful depiction of German and French energy companies out to conquer the rest of European energy market, with the protectionist support of their national governments, as shown below. The accompanying graph below, also, shows that German and French energy companies have the highest market capitalisation in Europe as at September 11, 2007

Figure 8-0-8: French and German Energy firms





The Economist September 15th – 21st 2007 (p.83/84)

This internationalisation strategy characteristic of the Utilities, across both divides, as a way to adapt to influences arising from globalisation pressures has been recognised in the literature, as a way these capitalist systems adapt to change. Hancke et al (2007:6) eloquently confirm this interaction between globalisation pressures and their implications for varieties of capitalism strategies:

> Globalization will often reinforce comparative institutional advantage, for foreign direct investment (FDI) will flow to locations rich in either specific or co-specific assets, depending on investors' sector or firm-specific requirements. CMEs and LMEs will be located at different points in international production chains, again reflecting their respective institutional advantages: high value-added, high skill-dependent, high-productivity production will tend to remain in the core CMEs; lower value-added, lower-skill, price-oriented production will relocate to lower-cost jurisdictions.... (however) rational owners and stakeholders in CMEs will not demand a wholesale adoption of Anglo-American management practices if it would endanger their comparative institutional advantage. Although an economic shock may trigger changes to existing institutions and practices, and may even entail a period of conflict and suboptimal outcomes, a new equilibrium will be

> induced by the incentives for renewed coordination imparted by existing deliberative institutions.... Change, therefore, is most likely to be path-dependent, and significant path-shifting or equilibrium-breaking behaviour on the part of actors – producing a fully fledged shift from a CME to an LME, for example – is very unlikely to occur due to the 'general efficiencies' for distinctive political economies created by 'complementarities'.

In other words, it could be conclusively argued that the tripartite influences (international, national and sectoral) together then shape, constrain, and enable, corporate stakeholder salience at both the firm and managerial levels.

8.4: Chapter Summary

Drawing from comparative business systems theorisation of firm behaviour, this chapter reinforces the view that corporate stakeholder salience patterns also reflect the characteristics of their institutional contexts (i.e. national and trans-national – including degree of State influence and degree of economic liberation of both national and transnational social spaces). It explores and accounts for how these patterns of corporate stakeholder salience manifest across different sectors. In addition, it highlights how these corporate stakeholder salience patterns reflect influences from multiple meso and macro level sources – i.e.

sectoral, national and trans-national. It primarily aims to provide complementary perspectives to the managerialist view that has dominated corporate stakeholding theorisation in the extant management and organisation studies literature. The next chapter leverages the findings of this research study to advance theory and articulate the policy and empirical implications of the study, respectively.

CHAPTER 9: EPILOGUE: CORPORATE STAKEHOLDER SALIENCE, NATIONAL INSTITUTIONS AND INDUSTRY INFLUENCES

9.1: Tone Setting

This chapter wraps up the main line of argument advanced in the entire thesis – i.e. that corporate stakeholding is not only a by product of managerial discretion and rationality, but that it is also constrained and enabled by the institutional context in which it is enacted. As such, the chapter creates a link between corporate stakeholder salience patterns, on one hand, and meso and macro level institutional influences (sectoral, national and trans-national), on the other. Drawing from this amalgamation of ideas, the chapter advances theory, contributes to empirical advancement and offers policy and professional contributions. It also suggests possible areas for future research.

9.2: National Institutions, Trans-national Social Spaces and Corporate Stakeholder Salience Patterns: Theory Extension and Implications for the study of corporate social responsibility and accountability

As earlier indicated in the course of this research study, corporate stakeholding and to a significant extent its sister concepts – corporate accountability and social responsibility – have been trapped in managerial and organisational level theorisations. These manager-centric views of corporate stakeholding and social responsibility have been very dominant in the extant literature and belie the influences of the institutional contexts in which they are embedded and enacted. There have been recent calls to bring in the institutional dimensions to understanding corporate accountability and social responsibility discourses and practices (e.g. Lounsbury, forthcoming; Gray, 2002). Recently, too, there is a growing interest broadly in comparative corporate social responsibility and its associated discourses and practices – such as corporate social accountability, governance and stakeholder salience.

The literature on the meaning and practice of corporate social responsibility across cultures and national boundaries has in the last couple of decades continued to blossom (for examples, see the following: Orpen, 1987; Langlois and Schlegelmilch, 1990; Bennett, 1998; Jones, 1999; Quazi and O'Brien, 2000; Maignan, 2001; Kusku and Zarkada-Fraser, 2004; Hamann et al., 2005; Fig, 2005; Chapple and Moon, 2005; Amaeshi et al., 2006)[30]. This emergent scholarship in

[30] In addition, the *Journal of Corporate Citizenship* has run special issues focusing on corporate social responsibility in Asia (2004), Africa (2005), and Latin America (2006), respectively.

the literature challenges the 'common agenda' approach to theorising corporate social responsibility. A common strand that runs through most of these studies, suggests that meaning and practice of corporate social responsibility is socio-culturally embedded. Matten and Moon (forthcoming), for example, use their 'explicit' and 'implicit' model to explain the difference between Continental European and North American versions of corporate social responsibility practice. They suggest that whilst the 'explicit' style characteristic of North American firms' corporate social responsibility is vociferous about its contribution to the society – for example in provision of healthcare, education, employee welfare and other social amenities, the 'implicit' style characteristic of Continental Europe finds it less attractive to report such social provisions as contributions to the society, since these provisions are already taken care of by the national institutions in which they operate in. The UK government's national health care service (the NHS) has been providing free healthcare service to its citizenry since the 1940s and the German system has ensured that employees' welfare gets top priority in organisations through its co-determination approach to corporate governance.

In line with the socio-economic differences inherent in the neo-liberal capitalist systems, Maignan (2001) conducted a survey comparing French, German, and North American consumers' evaluations of economic, legal, ethical, and philanthropic responsibilities of firms. The study finds that while U.S. consumers value highly corporate economic responsibilities, French and German consumers are most concerned about businesses conforming to legal and ethical standards. As such, Maignan suggests that these findings provide useful guidance for the efficient management of corporate social responsibility initiatives across borders and for further academic inquiries. In a similar study, Langlois and Schlegelmilch (1990) analyse the usage and contents of corporate codes of ethics. Comparison of a sample of 600 large European companies contrasted with findings reported for similar U.S. firms reveals that significantly fewer European than U.S. firms adopted codes of ethics. In addition, the study found that there are striking differences in content between U.S. and European codes of ethics pointing to the existence of a distinctly European approach to codifying ethics.

There are also recorded differences between US and Asian understanding of corporate social responsibility. Burton et al (2000) examined the orientation toward corporate social responsibility (CSR) of 165 U.S. and 157 Hong Kong business students. Although respondents from both countries viewed corporate social responsibility as a construct in much the same way, many differences were found in the types of responsibilities considered most important. Specifically, Hong Kong students gave economic responsibilities more weight and non economic responsibilities less weight than did U.S. students. Orpen (1987) found similar differences between US and South African managers. He assessed the attitudes of 164 United States and 151 South African managers towards corporate social responsibility. The United States managers held significantly more favourable attitudes towards corporate social responsibility. In addition, they agreed with more pro-responsibility arguments, whereas the South African managers agreed with more anti-responsibility arguments. The United States managers felt that their society expected more corporate involvement in social responsibility activities than the South African managers felt was expected from their society. The results are explained in terms of the susceptibility of corporate social responsibility attitudes to cultural norms and values — which reflect the different nature of the two societies.

More recently, the *Journal of Corporate Citizenship* has run four special issues focusing on CSR in Asia (2004), Africa (2005), Latin America (2006), and developing economies (2006), respectively. Hamann et al (2005) and Fig (2005) examined corporate social responsibility in South Africa and questioned the drift towards universalizing corporate social responsibility; while Kusku and Zarkada-Fraser (2004) compared corporate social responsibility practices in Australia and Turkey and identified some differences. Chapple and Moon (2005), explored corporate social responsibility reporting in seven Asian countries. They found some variations in corporate social responsibility practice across the Asian countries studied, which in their opinion were not as a result of the development of these countries but mainly a reflection of their different national business systems. This finding is counter-intuitive as one would ordinarily expect the level of development of a country to correlate with its corporate social responsibility practice (Jones, 1999); and the involvement of Western countries in corporate social responsibility has often been attributed to their economic prosperity. Even in the West, Worthington et al (2006) found a different attitude to and practice of corporate social responsibility amongst South Asian small enterprises in the UK. These differences further strengthen the perspective that firms are products of their cultural and social milieu; and as such question the current trend towards the globalization of corporate social responsibility practice through multinational corporations and multinational institutions[31].[32] In sum, however, these studies suggest that the meaning and practice of corporate social responsibility is socio-culturally embedded (Bennett, 1998).

Surprisingly, corporate stakeholding has not witnessed similar interests from either institutionalist or cultural perspectives. This study pushes the institutionalist frontier of research to corporate stakeholder salience – which is a precursor and intrinsic to both corporate accountability and corporate social

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[31] These multinational bodies tend to work from the assumption that the global economic system is converging. While the global economic system convergence theory seems plausible, it has been confirmed that business practices are socially and context bounded

[32] For instance some countries in the coordinated market (e.g. Germany and Japan) are gradually opening up to the tenets of liberal-marketism, albeit painfully.

responsibility (Jones, 1999; Wood, 1991). It takes a step backwards to uncover the institutional influences behind corporate stakeholder salience that ultimately condition such practices as social accounting, corporate accountability and corporate social responsibility. In addition, it opens a new vista of looking at corporate social reports. It conceptualises corporate social reports not only as artefacts of accountability but also carriers and reflectors of national and trans-national characteristics and influences. This is a contrary view to the dominant view of corporate social reports. Despite efforts in communicating socio-environmental commitment and performance through social and environmental reports, there is a cynical view that these reports are mainly corporate communication instruments for public relations and marketing (Owen et al. 2000; Owen 2005). This view, while critical and necessary in constructively challenging managerial practices, further subtracts from the 'good' intentions of corporate social and environmental reporting and tends to suggest that corporate social and environmental reporting activities border on the edge of spin. At the same time too, it appears to give a lot of prominence to agency in the construction of social reports. Both the negative connotation associated with corporate social and environmental reporting, as corporate spin, and its emphasis on agency have to a large extent inhibited the interest to critically and constructively examine the institutional embeddedness of such reports.

One of the key findings of this study, leveraging the varieties of capitalism analytical framework, is that corporate stakeholder salience patterns are reflections of series of complex interactions between national institutional frameworks and (trans-national) industry influences on firms. This finding is not limited to the understanding of corporate stakeholder salience but also has implications for current debates and efforts to fine-tune comparative business models – particularly the varieties of capitalism model. In this regard, the varieties of capitalism model as an analytical 'agenda' (Hancke et al., 2007) for understanding variations of political economies could be theorised as a reflection of the dynamism between interdependent layers of influences – one at specific (trans-national) sector levels, and the other arising from interactions between different (trans-national) sectors within a particular national context to generate national patterns of corporate stakeholder salience. Although the varieties of capitalism model is often presented as a firm centred approach (Hancke et al., 2007:5) – in which "[I]t is assumed that firms behave according to the rules provided for them by the specific institutional arrangements, which thus co-ordinate and 'govern' them" (Crouch et al., forthcoming) – it appears to abstract from these emergent interactive patterns of corporate stakeholder salience at the micro-level to typify national political economies, while at the same time paying less or minimal attention to possible heterogeneity within same national political economies and or influences from trans-national social spaces (Morgan, 2001, 2006).

The need to account for heterogeneity within the varieties of capitalism model has come at no better time than when the national culture school of thought is being hacked at its very foundations for taking within-nations heterogeneities for granted and assuming that national boundaries are fairly static/stable and almost impermeable (see Hofstede's and McSweeney's debates over implications of the national culture construct in social science research in *Human Relations*, 2002). One of the points made by McSweeney (2002a) in his arguments against typologies of countries based on 'national cultures' is the tendency of such approaches to undermine national heterogeneities and then subsume them under socio-geographic constructions of nation states, which may not necessarily constitute credible representation of differences between and within institutional contexts. Along this line, McSweeney (2002a:113) conclude that:

> Extreme, singular, theories such as Hofstede's model of national culture are profoundly problematic. His conflation and uni-level analysis precludes consideration of interplay between macroscopic and microscopic cultural levels and between the cultural and the non-cultural (whatever we chose to call it). Instead of seeking an explanation for assumed national uniformity from the conceptual lacuna that is the essentialist notion of national culture, we need to

> engage with and use theories of action which can cope with change, power, variety, multiple influences – including the non-national – and the complexity and situational variability of the individual subject.

The same line of criticism, therefore, could be levelled against the varieties of capitalism model if it continues to ignore endogenous sources of national system transformation and 'within-system' diversity (Coates, 2005; Boyer, 2005; Crouch, 2005; Panitch and Gindin, 2005); and instead apply a broad-brush approach to characterisation of national political economies, even though it claims to "...give micro-foundations to a more general theory of cross-national capitalist organization and adjustment" (Hancke et al., 2007:5). In this vein, Crouch et al. (forthcoming) observe and caution that:

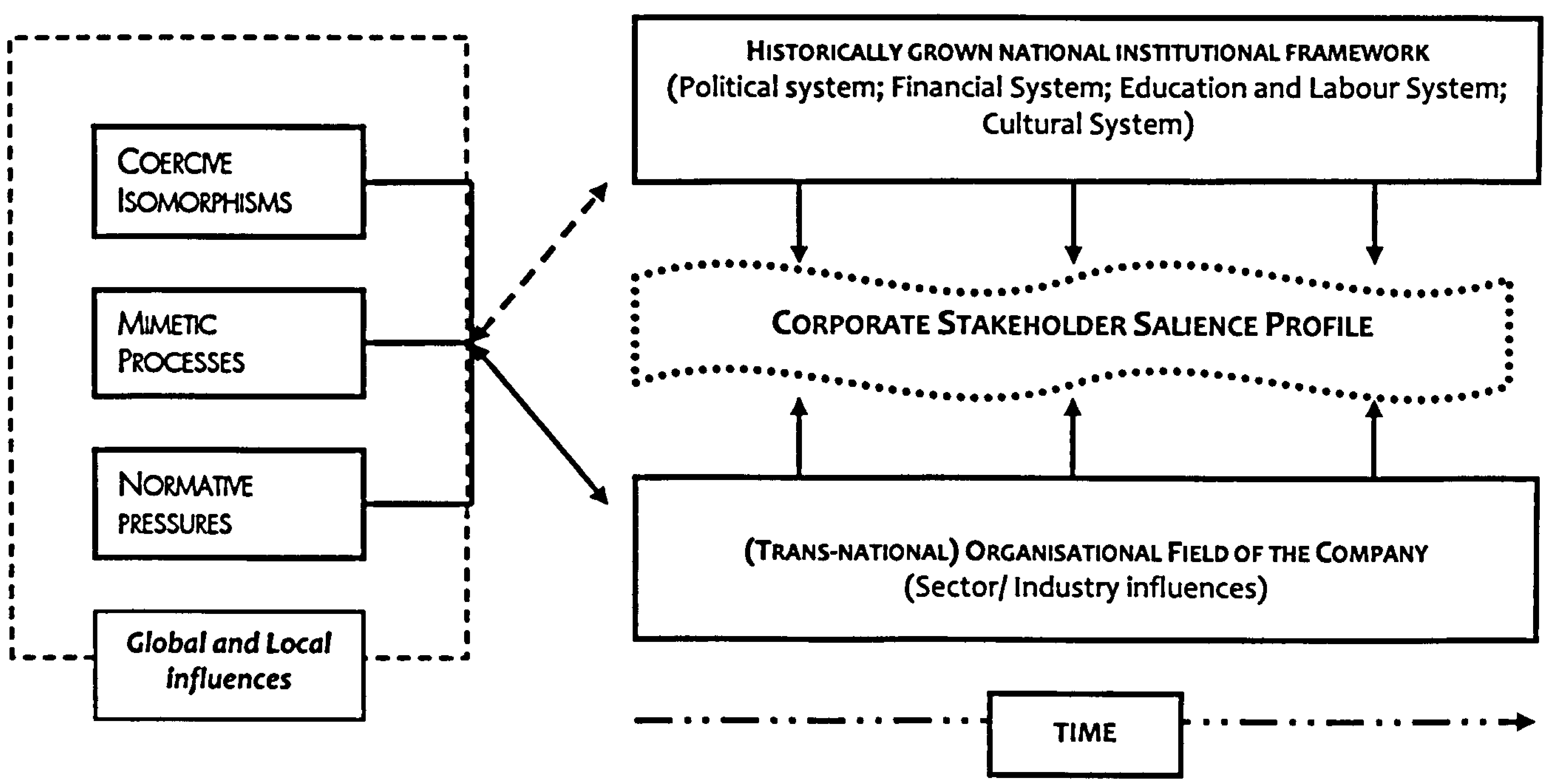
> Local specialisms that depart from the logic of a national system ... suggest that the nation state is not necessarily always the most important level for determining the institutional environment of business. It is important that research pay attention to these instances. The fashion for dealing only in 'stylised facts' - encouraged by many economists in the name of 'parsimony and elegance' - can easily become an invitation to deal in stereotypes and over-generalisations. Accounts that remain at the level of stylised facts can be likened to artistic guides designed for the day-tripper: if you go to Paris, make sure

that you go to the Louvre, the Quay d'Orsay, the Musée des Arts Modernes..... That will not do for an academic study of art collections in Paris, and it is remarkable that social-scientific accounts of national economies often fail to go far beyond the tourist guide level.

Accounting for interactions between different layers of socio-economic coordination within a system is one of the vexing issues that have continued to trail system level theorisations of macro national political economies. This is even worsened by the parallel literatures that have developed divergently along macro and micro new institutionalism, which are being encouraged to talk to each other to resolve this complex puzzle (Lounsbury, 2007; Tempel and Walgenbach, 2007; Whittington, 2006). Micro-level new institutionalist school of thought provides rich analytical lens to unpack these complex interactions at the micro level, which could be adapted to account for macro dynamics. Extrapolating from micro-level theorisation, particularly DiMaggio and Powell (1983), for example, Matten and Moon (2007) offer a model to account for variations and institutional embeddedness of corporate social responsibility across national business systems.

In accordance with macro-level theorisation, Matten and Moon (2007) – in accounting for variations in corporate social responsibility across different national institutional contexts – argue that influences from national institutional framework could be transmitted through its political, financial, education and labour as well as cultural systems. This national institutional framework constitutes the foundation of comparative business systems; particularly the national business system (Whitley, 1998) and the varieties of capitalism models (Hall and Soskice, 2001). Notwithstanding, national and industry influences are also open to global and local forces of legitimization, which could manifest in form of coercive isomorphisms, mimetic processes and normative pressures (see DiMaggio and Powell, 1983 for details of each of these), as illustrated in the schematic below.

Figure 9-0-1: Multiple sources of influence on corporate stakeholder salience and new institutionalism



Original idea adapted from Matten and Moon (2007)

Borrowing from DiMaggio and Powell (1983), examples of global influences with coercive isomorphic bent will include international standardization programmes in such areas as quality control, accounting and finance that are mandatory for firms to conform to (Clark et al., 2001). It is also possible to have such trans-national bodies as the WTO trigger coercive regulations that would initiate some form of isomorphism at a global and or industry levels. Local coercive isomorphic pressures will include national and industry regulations and practices. While mimetic processes could imply the transfer of 'best practices' across national and industry boundaries – wherein some firms would tend to copy practices from industry leaders irrespective of their national contexts, possibly as a result of bounded rationality. Discourses and practices on customer service orientation and adoption of complex technologies could fall under this category. Normative pressures, on the other hand, are associated with what ought to be. Examples of such pressures are the global and local adoptions of corporate social responsibility and social reporting as 'good' business practices.

These forces of legitimacy meet both national and (trans-national) industry contexts at different tangents. Although this is one of the areas of intense current debate (Quack et al., 1999), Matten and Moon (2007) argue that these forces are likely to permeate the national level less directly and slower if compared to organisational field of the firm. One explanation for this could be that the national contexts are much more embedded in the societal system and as such much more inter-connected systemically to the fabric of the society. This complexity of interactions makes it easier for organisational fields to respond and adapt faster to changes from either local and or global sources, and less likely for national institutions to undergo such step changes (Whitley, 1999a). While this difference in rate of change between the national and industry levels are appreciable, Matten and Moon (2007) seem to be silent on the possible interactions between national and industry contexts in shaping firm behaviour. As such they appear not to explicitly discuss how national and industry levels interact, but rather seem to suggest that or position the two as non-interactive. The need for an understanding of the interactive effects of national and industry levels is further strengthened given that industry or sector influences can assume a trans-national dimension, which could (re)shape national institutional structures (Morgan, 2001; 2006) and ultimately constrain and or enable behaviours of firms (including those relating to corporate social responsibility, accountability and patterns of stakeholder salience).

Following from Matten and Moon (2007), therefore, it could be argued that given that organisational fields are equally open to global and local influences, on one hand, and change faster than national institutional contexts, on the other, it is possible for organisational fields to equally induce changes within the broader national context; especially if such organisational fields are extensions of trans-national spaces. A good example of this scenario would be the entrepreneurial influences of most MNCs on some organisational fields, especially in developing economies. The oil and gas sector in Nigeria, for instance, is heavily driven more by global than local practices (Ite, 2004, 2005; Frynas et al., 2006; Frynas, 1999), since the major actors in the sector are MNCs who tend to retain their home country influences, albeit with slight modifications (Whitley, 1999a). In this regard, multinational actors could be conceived as institutional entrepreneurs (Crouch, 2006) "...who skilfully use institutional logics to create or change institutions, in order to realize an interest that they value highly" (Leca and Naccache, 2006:634). And in such instances, "...companies turn away from the national context and develop their own local governance structure. If the national institutional structure is seen as non-adequate or 'non-fitting' to deal with sectorally specific terms of competition, then the internal and external coordination of companies – in reaction to challenges posed by the market – is likely to deviate from the national structure." (Crouch et al., forthcoming).

Although it is possible to argue that such industry led institutional changes or 'counter-stream model' (Crouch et al., forthcoming) are more likely to occur in countries with relatively weak or incoherent (i.e. non-complementary) national institutions, it stands to be empirically tested if this is exclusively a case for the so-called weak national institutions, since some sectors in most advanced economies are sometimes ahead of other sectors or out of sync (Crouch et al., forthcoming) within these economies in certain practices. A good example of this is, on one hand, the case where concurrent engineering, which is an established practice in the automotive sector, is still grappling to permeate the aerospace sector particularly in Europe (Haque and James-Moore, 2005; Scarbrough and Amaeshi, 2008), and on the other hand, the UK financial services sector has continued to define and re-define the essence of the UK knowledge economy given the centre stage it has continued to gain in the global capital market (Clark, 2002). Crouch et al. (forthcoming), also presents a case where the Munich-Martinsried science-based cluster "...bypass[ed] the rigidities of the German political economy by docking on to international structures". As such, it becomes necessary to lend voice to Trigilia (2004) in questioning: if the national level is the main determinant of economic diversity, why are not the industries seen as nationally 'typical' distributed evenly across the national territory?

In addition to the dynamic interactions between national and (trans-national) organisational fields, the two can independently and or in conjunction, simultaneously, impact on global and local influences, respectively. They could as well be "...in competition with both supranational regulatory regimes and internationally available institutions, services, and persons (Brose and Voelzkow 1999; Deeg and Jackson 2007)" (Crouch et al., forthcoming). Cases of where national institutional frameworks have continued to recursively shape global and local influences will include the wide spread and adoption of some practices across the globe, especially those arising from America and Japan in the form of Americanization (Djelic, 1998; Zeitlin and Herrigel, 2000) and Japanization (Wood, 1991) of management and organisational practices, which often extend to other spheres of life including consumption and lifestyles (e.g. McDonaldization of the society –Ritzer, 2004). McDonaldization is also a good case of where an organisational field influence has transformed to a global one. This recursiveness amongst national, local and global influences is quintessential to understanding and accounting for change and stability in national institutional frameworks and industry level variations and similarities; as well as in accounting for behaviour of firms within national and trans-national spaces. According to Whitley (1999a:122), international influences remain "...highly interdependent with national agencies' and institutions' structures and actions. As a result, [their] effects on established systems of economic organization and firms are greatly guided and limited by variations in these national institutions". Crouch et al. (forthcoming) put it succinctly well when they argue that: "Since national elements are still present in the local innovation and production system, the local economy has to be seen as a combination of national, sectoral, and local elements, which taken together make up the governance of the local innovation and production system".

This conclusion fits well with the main finding of this study, which suggests that corporate stakeholder salience patterns – as expressions of firm behaviours –

are implicated in the dynamic interactions between national and sectoral peculiarities. However, the ability of a sector to expand beyond its national boundaries through internationalisation offers an insightful and interesting dimension to unpacking the simultaneous joint sectoral and institutional influences on corporate practices, as is suggested by the findings of this research study, which has some research implications for the study of business and society interactions.

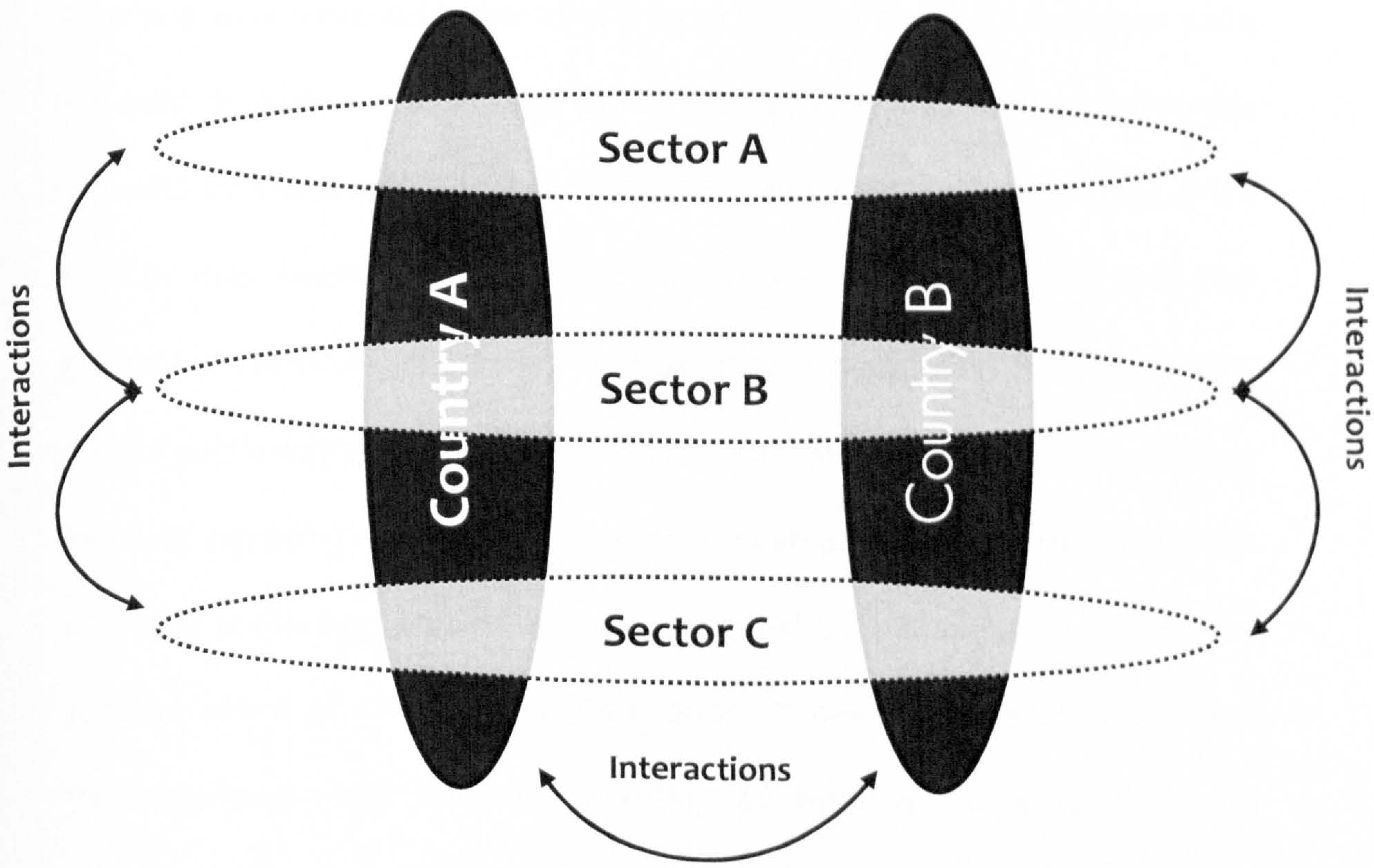
The broad literature on the role of business in the society has recently witnessed a burgeoning of works accounting for variations in one or more of the following: corporate social responsibility, stakeholder management, corporate accountability and governance either from a sectoral perspective (e.g. Gray et al., 1995a; Kolk, 2003; Griffin and Weber, 2006) and or national contexts perspectives (e.g. Maignan, 2001; Chapple and Moon, 2005; Jackson, 2005; Amaeshi et al., 2006; Matten and Moon, forthcoming). These studies often tend to either bracket sectors or national contexts in their accounts, depending on which of the two they are focusing on. What this research study suggests in more specific terms is that such dichotomisation of sectors and national contexts in the study of business and society interactions could lead to lopsided conclusions that ignore and consequently undermine the simultaneous interactive influences of the two levels of governance (or socio-economic coordination) on corporate practices. In addition to this possible oversimplification of interactive institutional influences on corporate practices, there is also the tendency to deconstruct national contexts as summations of sectors within national contexts. This in itself, could as well be misleading in that sectors are not necessarily and exhaustively contained by national contexts, but could span across national borders and as such exhibit characteristics and attributes different from those of national contexts.

Good examples of such trans-national sectors will include the aerospace and automotive (Amaeshi et al., 2007), the oil and gas sectors (Frynas et al., 2006) and the financial services (Faulconbridge et. al., 2007) to mention but a few. The influences of these sectors are usually global reaching and could be more powerful in certain instances than national institutional contexts (a good example here will be the role of multinational dominated sectors in some developing countries – the oil and gas in Nigeria, for instance – Ite, 2005; 2004; Frynas, 1999). Also, in their comparative study of the interaction between the institutional contexts of UK and German corporate law firms, on one hand, and the international markets for legal services, on the other, Morgan and Quack (2005) found that contrary to the view that law firms are highly determined by the national distinctiveness of professional and legal systems of the institutional contexts in which they are embedded, that "... the internationalization of UK and German law firms bears traces of institutional legacies as well as signs of path-modification, and that *international markets for legal services may be more* *differentiated and less dominated by Anglo-Saxon law firms and conceptions of law than has been so far recognized*" (emphasis, mine, p.1765) . These trans-national sectors provide trans-national social spaces (Morgan, 2001, 2006; Morgan and Quack, 2005) in which trans-national organisations draw from to interact, shape and or reconfigure national institutional contexts, where possible. Borrowing from Morgan (2001), in this case: "I take 'transnational space' to refer to an arena of social action distinct from that of the 'national' context. It is an arena of social interaction where the main modes of connection between groups cross national boundaries.... Transnational social space implies a more open-ended set of cross-border connections between multiple nodes in which the forms of interaction become more than simply the sum of interactions between different 'national' units; it constitutes an arena in which new social actors may emerge, which may be labelled 'transnational communities' (p.115).

Notwithstanding, these transnational sectors are not isolated entities. They rather constitute complex networks and also have the possibility of cross-sectoral influences and are as well susceptible to national modifications and translations (Abrahamson, 1991; Czarniawska and Joerges, 1996). These inter-sectoral, inter-country and trans-sector-country interactions are schematically shown below. Patches of grey on the schematic indicate areas of interactions between trans-national sectors and national contexts, which could account for heterogeneity within national models (Crouch, 2005; Crouch et al., forthcoming).

Accordingly, Morgan (2006) argues that: "[T]he national and the transnational clearly co-exist but what is interesting is how they interact and co-evolve. Whilst our social spaces are becoming more transnational, our capacities to resolve the problems emerging from this do not seem to be keeping pace. Many powerful actors still follow their national patterns and this leads them to interact with emergent transnational institutions in ways that exacerbate difference and conflict" (pp.24-25).

Figure 0-2: Country Sector Interactions



However, these changes occur in time. If applied to this research study, this temporal dimension implies that corporate stakeholder salience profiles are not static but are dynamically shaped by the characteristics of both the national institutional framework and the (trans-national) organisational field of the firm (thus the wavy and dotted nature of the sketch in figure 9.1 above). By extension, therefore, corporate social reporting is responsive to these changing patterns of institutionally influenced corporate stakeholder salience, which reflects in the varied dominant themes of corporate social reporting over time. The environment, for instance, dropped-off the social reporting list in the 1980s and surfaced again in the 1990s (Gray, 2002, 2001). In the study of USA firms and environmental Lober et al (1997:67) found that "...Employees were the most frequently cited target group, indicated by 82% of the companies, followed by shareholders at 74%. Customers and government agencies were cited by over one-half of the report issuers as key audiences. Environmental groups and the local communities were targeted by over 40% of the reports. The general public was a target of 35% of the reports". While these cyclical changes in social reporting over the decades have been attributed to the subjection of social accounting and its associated activities (e.g. social audits) to the political whims of corporations (Gray, 2001), it has also been advanced that the increasing trend in social reporting by firms is linked to the social pressures on them since the 1970s to be more socially responsible in their practices (Gray, 2002). Jones (1999) cite the example of the US constitutional rights that were originally directed at white male property owners, but over time come to defuse to other stakeholder groups (e.g. women and ethnic minorities) because "...the basic articles of the Constitution and Bill of Rights created discursive space within which subordinated groups could act strategically to avail themselves of the same rights accorded to white men" (p.167). Notwithstanding, these changes are more likely to be sticky rather than rapid or step changes given that large scale and far-reaching changes would require "...considerable institutional restructuring and realignment of major societal interests...[which] are unlikely to develop simply as a consequence of internationalization, or to occur within one or two decades" (Whitley, 1999a:134). In relation to institutional changes relating to corporate governance structures, Vitols (2001:339) argues that "...these developments can be clearly characterized as incremental – rather than fundamental – changes in existing ownership, employee representation, and top management institutions". In other words, it is advisable for comparative business and society studies to be aware of these dynamic interactions; recognise them in their accounts and find insightful ways to accommodating them in the interpretations of their research findings.

9.3: Institutional Embeddedness of Corporate Stakeholding: Empirical Novelty and Implications for practice and policy

In addition to its theoretical contributions, this research study is novel in three major empirical ways outlined below:

(a) To the best of our knowledge, it will be the first attempt to study corporate stakeholder salience patterns along the lines of their interactions with institutional and sectoral influences. It is also the first to examine corporate stakeholder salience patterns leveraging combinations of visual representations and texts of corporate social reports. In terms of its practical relevance, the findings of this study will have significant implications for the growing contemporary interests in corporate social responsibility and corporate social reporting and as such would be relevant to practitioners, different stakeholder groups and public policy, especially those relating to regulation of corporate social reporting or otherwise; it will also have an immense methodological contribution to study of corporate social reports and management studies in general.

(b) It is also the first to apply the varieties of capitalism model to studying corporate social reports in the 2 major countries representative of the model. A trend that has been hanging over recent debates in comparative business systems is the idea that the different systems are converging under the powerful influence of globalization. As such, on one hand, it is argued that national business systems succumb to the globalised world order. On the other hand, the argument is that national business systems do not disappear, but rather find new and innovative ways of internalising influences coming from globalisation while retaining their distinctiveness (Whitley, 2002). A comparative study of this sort provides a fertile ground to test this hypothesis of convergence and or distinctiveness, which have been demonstrated through this research study.

(c) In addition, corporate social reporting has over the decades been subjected to the political whims of corporations (Gray, 2001; Unerman, 2003) in response to the social pressures on firms since the 1970s to be more socially responsible in their practices (Gray, 2002) and as such, are still largely unregulated. There has been a serious but undermined voice in the corporate social responsibility discourse on the need to regulate corporate social responsibility and social reports. However, to a large extent, corporate social reports have been left to voluntarism and self regulation. The findings of the study will be of help to policy makers in this area in weighing the options to regulate (or not to regulate) the production of these reports, as their counterparts are – i.e. corporate annual reports. By uncovering links between corporate social reports and global/national institutional contexts, the findings from this study will further inform the debate on corporate social responsibility as a self-regulatory mechanism. It will provide policy makers and regulators insights on how corporate social reports could be used to advance the role of firms in fostering sustainable and viable economic development. This move is to establish a global governance mechanism for social and environmental reporting, which has hitherto being voluntary and self-regulated. Such initiatives as the Global

Reporting Initiatives and SustainAbility social reporting guides are assuming global dimensions, especially in the post-Enron years. According to Deeg and Jackson (2006), "One consequence of multi-level governance is the growing heterogeneity among firms within national models – in short, "models within models"…. Institutional layering of this kind may allow differential adoption of 'old' and 'new' business practices according to sectoral and firm-specific characteristics." (Deeg and Jackson, 2006:14). This piece of research will talk in significant ways to people involved in crafting these social reporting global governance mechanisms. An understanding of how institutional contexts and sectoral characteristics either constrain or enable social accountability will help policy makers, researchers and consultants working in this area. It will also be of use to practitioners trapped in the boundary-less-ness of Transnational Corporations. And help managers (e.g. investors and corporate social responsibility managers) to make better and informed decisions if they understand the consumption undertones embedded in corporate social reporting process.

9.4: Suggestions for further research study and final comments

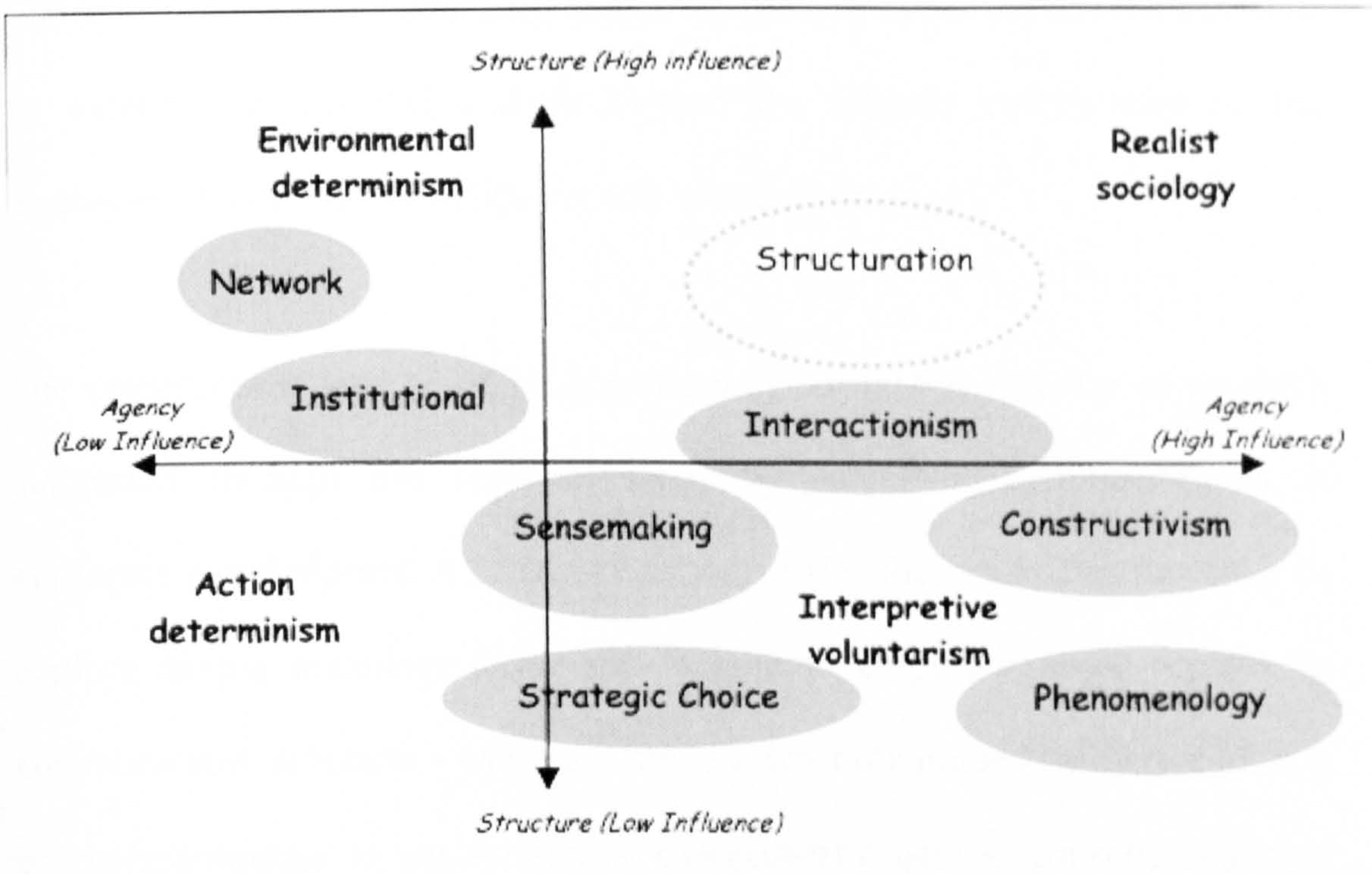
This research study has been built mainly on what firms say they do, or who firms say are important to them. This perfectly fits well with the broad agenda of the role of discourse in institution-building (Phillips et al., 2004; Schimdt, 2002).

While the study of discourses (in its broadest sense as any form of texts and language – Phillips et al., 2004) is worthwhile in its own right and appropriate in addressing the core questions of this research study, it will be nice to complement it with a practice lens. The practice lens goes beyond talk to consider what happens in action. This will be particularly interesting in understanding and deconstructing the influences of different levels of socio-economic governance mechanisms on firm behaviour. For instance it has been argued that firms talk about themselves in an ideal form that is far from their practices (Dore, 2000). And this even becomes more interesting to uncover if corporate social reports are articulated as communicative artefacts geared towards achieving the strategic goals of the firm – be they reputation (Hooghiemstra, 2000) and or legitimacy (Lindblom, 1994; Suchman, 1995; Brown and Deegan, 1998; Wilmshurst and Frost, 2000; Suddaby and Greenwood, 2005).

Since the 1990s, however, there has been a radical movement to incorporate a socio-cultural perspective to the study of organisational strategy and strategizing, which has given rise to varied re-conceptualisation of 'strategy', for example, as narrative (Barry and Elmes, 1997; Dunford and Jones, 2000), discourse (Hardy et al., 2000; Hendry, 2000; Lilley, 2001) or a social practice oriented activity (Whittington, 1994, 2006; Jarzabkowski, 2005). One of the key goals of the 'practice turn' in strategy is to demonstrate that strategy is not necessarily what a firm *has* but what a firm *does*. It is an attempt to recognise strategizing research as a search for 'know how', 'know when', and know where' as opposed to the much more conventional approach to the study of strategy as a search for 'know what' (Balogun et al., 2003). So the emergent scholarship community on strategy as practice emphasises the role of praxis, practices and practitioners (Whittington, 2006) in understanding and influencing strategy and strategising. For instance, Jarzabkowski and Wilson (2002) examined strategizing in a traditional institution like a university and through their study of what top management does were able to account for continuity and change in the universities studied. There have been some studies also that have looked at strategizing from macro-practice perspective. However, one of the key challenges confronting strategy as practice, according to Whittington (2006), is the need to integrate micro and macro accounts of practices and to demonstrate how they are co-produced, as has been done in other aspects of organisation studies emphasising the practice dimension – i.e. knowing in practice (Gherardi, 2001). A good example of this new way is Rouleau (2005) which accounted for how micro-practices of middle managers in a clothing company link into the macro-practices of the clothing industry in Canada.

Researchers applying the 'practice lens' as source of empirical knowledge have borrowed from such theoretical frameworks as the activity based theory (e.g. Jarzabkowski, 2006) and structuration theory (Giddens, 1984) as theoretical frameworks of analysis. Giddens' work on *The Constitution of Society* (1984), for instance, has been a major contribution towards resolving the dichotomy between structure and agency in social theory. Instead of opposing objective-subjective or voluntarist-determinist dimensions, Giddens challenged the premise of mutual exclusivity and assumed the duality of structure and action, proposing the structuration theory (Pozzebon, 2004). According to Giddens, structure is what gives form and shape to social life, but is not itself that form and shape; and it only exists in and through the activities of human agents. In turn, agency does not refer to people's intentions in doing things but more to the flow of people's actions (Pozzebon, 2004). In addition to duality of structure, the structuration theory recognises the competence and reflexivity of social actors, which enable them to act upon and reproduce structure. Whittington (1988) provides a framework that situates structuration theory within the dichotomy of structure and agency amongst other competing scholarly paradigms (see figure below). The distinguishing factor of structuration theory from other perspectives is its unequivocally equal emphasis on both structure and agency in its account of social change and stability.

Figure 9-0-3: Multiple applications of structuration theory



Adapted from Pozzebon (2004:259)

Although structuration theory is primarily concerned with the society at the macro-level, it has been used at the micro-level to account for organisational theories and practices. It has also been used to complement other perspectives of organisational theories – e.g. with institutional theory (Cooper et al. 1996), social constructivism (Cosio, 1998), sensemaking (Wright et al., 2000) and network theory (Sydow and Winderer, 1998) – for details and other combinations, see Pozzebon (2004). With regard to the varieties of capitalism model and the findings of this research study, in particular which place emphasis on diversity within institutional and sectoral contexts, the practice lens provides a complementary means to understanding and accounting for heterogeneity within institutional contexts; and "[S]uch a pluralistic approach has the potential to extend institutionalist analysis beyond the broadly comparative to the strategies of individual firms" (Hung and Whittington, 1997).

The constructivist lens could be another way to extend this line of research suggested through this research study by examining representations in corporate social reports. A constructivist lens offer the researcher flexibility to explore deeper meanings laced and located in corporate social reports as communicative artefacts – which are most of the time missed by mere counting of representations in social reports characteristic of the content analytical method. In addition, the constructivist perspective is able to 'see' meaning in both presence (manifest meaning) and absence (latent meaning) of representations, whilst the content analytical method is prone mainly to manifest meanings. Examples of the constructivist perspective include semiotics and hermeneutics methodological enquiries, which are gradually gaining broader acceptance as methods of social research. For instance, Crowther (2002) applied semiotic analysis to the study of corporate financial and environmental reporting while Fiol (1989:277) "In an attempt to explain differences in the propensity of organizations to enter into joint ventures, ...uses a semiotic method of textual analysis to examine CEOs' letters to shareholders as they reflect the existence and strength of boundaries separating internal organizational subunits and boundaries separating the company from external environments". Semiotic analysis has also been applied to the study of political economy (e.g. Jessop, 2004) and glocalisation (Wodak, 2005). While Phillips and Brown (1993), have applied critical hermeneutic approach to analysing communication in and around organizations. In this regard, the constructivist perspective would not necessarily constitute a complete alternative but rather complement the content analytical methodology – and both in conjunction providing a 'complete view of the real'.

Although the *Fortune Global 500* population meets the research design requirements of this study – especially in terms of controlling for sources of bias – it could be argued that firms listed in this group are by their very nature inclined towards some form of global convergence – one of them being an inclination towards shareholder capitalism or the liberal market economy principles. In other words, it is possible to argue that the German firms included in the study are not true and fair exemplars of embodiments of German institutional characteristics since most big German firms are family-owned and often not publicly quoted. This is more so since, according to Jones (1999), "[O]nce publicly owned, a firm becomes hostage to performance criteria established by the financial markets, which value optimum economic returns rather than social responsibility – *unless* social responsibility pays" (Jones, 1999:170 emphasis in original). Following this line of thinking, it could be expected that German and UK firms listed on *Fortune Global 500* would exhibit similar characteristics since they belong to the same population of *Fortune Global 500*. Whilst this line of argument appears appealing, it is at the same time undermined by the fact that the outcome of this research study is able to identify differences in patterns of corporate stakeholding between German and UK firms that are traceable to the characteristics of their respective institutional contexts despite the fact that they share a common characteristic by virtue of being members of *Fortune Global 500* – which even makes the findings of this research study more unique. However, a possible way to extend this line of research might be to examine if and how similar dynamics of corporate stakeholding patterns identified in this study are also evident amongst firms in the different institutional contexts irrespective of such factors as firm ownership structure and size, for instance, using same theoretical and empirical frameworks. The same could also be extended to within-group comparisons of different capitalist typologies postulated by the varieties of capitalism model. A good example here would be to examine if UK and US firms, as exemplars of liberal market economies, exhibit similar corporate stakeholder salience patterns, on one hand, and if German and Japanese firms, as exemplars of coordinated market economies, exhibit similar patterns of corporate stakeholding profile as well. This will provide further insights to understanding dynamics of corporate stakeholding across national institutional contexts.

Finally, it is worthwhile to note that this research study has extensively demonstrated that corporate stakeholder salience is also a function of the institutional and sectoral contexts in which firms operate. Whilst giving leeway to managerial choices and influences on firm-stakeholder relations, it is the core finding of this research study that managers' choices and decisions, to a large extent, reflect the characteristics of their institutional and sectoral contexts, respectively. It is anticipated that this research study would have opened a new vista of enquiry, which needs to be further explored in other contexts and through other research methodologies.

Appendix

Table A: List of UK and German *Fortune Global* 500 Companies (2006)

		94	95	96	97	98	99	00	01	02	03	04	05	06
	United Kingdom													
1.	Anglo American							X	X	X	X	X	X	
2.	AstraZeneca								X	X	X	X	X	X
3.	Aviva							X			X	X	X	X
4.	BP			X	X	X	X	X	X	X	X	X	X	
5.	British Airways							X	X	X	X	X	X	X
6.	Centrica										X	X	X	
7.	Corus	X			X	X	X	X		X	X	X	X	
8.	HBOS													
9.	HSBC							X	X	X	X	X	X	
10.	Legal and General Group												X	
11.	National Grid										X	X	X	
12.	Prudential										X	X	X	X
13.	Rio Tinto				X	X	X	X	X	X	X	X		
14.	Royal Bank of Scotland										X	X	X	
15.	Scottish Power					X	X	X	X	X	X		X	
	Germany													
16.	Bayer											X	X	
17.	Bertelsmann	X	X	X	X	X	X	X	X		X		X	
18.	BMW				X	X	X	X	X	X	X	X	X	X

		94	95	96	97	98	99	00	01	02	03	04	05	06
19.	Bosch								X	X	X	X	X	X
20.	Commerzbank												X	
21.	Deutsche Post										X			X
22.	E.ON											X	X	
23.	Henkel	X	X	X	X	X		X	X	X	X	X	X	
24.	Hochtief								X		X		X	
25.	Karstadt Quelle										X		X	
26.	KFW Bankengruppe							X			X			X
27.	Lufthansa			X	X		X	X	X	X	X	X	X	X
28.	MAN AG												X	X
29.	Munich Re Group								X	X	X	X	X	
30.	Otto Group							X			X			
31.	RWE					X		X	X	X	X	X	X	
32.	TUI										X	X		
33.	Volkswagen				X					X		X		X
34.	WestLB									X	X		X	

Table B: Breakdown of number of observations per firm-year

	UK	Years (2000 – 2006)							Germany	Years (2000 – 2006)						
		'00	'01	'02	'03	'04	'05	'06		'00	'01	'02	'03	'04	'05	'06
Aviation	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	0
Financial Services	5	0	1	1	4	4	5	3	4	1	2	3	3	2	4	1
Utilities	3	1	1	2	3	3	3	0	2	1	1	1	1	2	2	1
Total	9	2	3	4	8	8	9	3	7	3	4	5	5	5	7	2
Total pages of documents	**1274**	**141**	**173**	**130**	**245**	**257**	**238**	**90**	**2548**	**356**	**365**	**321**	**417**	**397**	**555**	**137**
Overall total pages of documents (UK + Germany) = 3822																

Table C: Criteria for identifying stakeholders in pictures/images, graphics and texts in social and environmental reports analyzed

Stakeholders	Criteria for pictures and images	Criteria for texts and graphics	Operationalisation Rationale
Environment/ Nature	Any pictures/images (excluding corporate logos) that show the environment or nature – (e.g. animals, climate, wildlife, deserts, seas, planetary bodies, landscapes, natural resources, etc)	Use of the following texts or synonyms: Environment; atmosphere, climate, emissions, pollutions, air quality, natural resources, names of animals, etc Indices on Noise are included as part of the environment; as well as recycling, packaging, fuelling, energy usage	Firms interested in the environment/nature as a stakeholder group will use such representations of the environment and nature in their corporate communication tools (Delaney, 2001; Proctor, 1998; Burgess, 1989)
Employees	Employees at work clearly identified by such facts as corporate logos, corporate uniforms, in corporate offices and other relevant corporate artefacts and symbols (e.g. company van, etc)	Use of the following texts or synonyms: Staff; employees; people***	Firms will use such representations to communicate their interests in their employees as stakeholders (Anderson and Imperia, 1992)

Stakeholders	Criteria for pictures and images	Criteria for texts and graphics	Operationalisation Rationale
	Where workmen/women are unclassified, such pictures would be taken as employee photos		
Community/ Society	Any pictures/images of cities, streets, villages, community projects (education, healthcare, rural development, social clubs, etc)	Use of the following texts or synonyms: Community; society; people***	Firms will use such representations to communicate their interests in the communities in which they operate as stakeholders (Lutz and Collins, 1993; Ferree and Hall, 1990)
Customers	People using products/services; corporate visits, site visits, product launch, product adverts/pictures Air rage is classified as a consumer (passenger) issues Tickets also consumers	Use of the following texts or synonyms: Customers; names of products and services; people***	Firms will use such representations to communicate their interests in their customers as stakeholders (Ogden and Clarke, 2005)
Networks	The networks category includes partnerships,	The networks category includes partnerships,	It is broadly interpreted that firms operate in networks of

Stakeholders	Criteria for pictures and images	Criteria for texts and graphics	Operationalisation Rationale
	alliances, and subsidiaries	alliances, and subsidiaries	other firms – which include suppliers, partnerships as well as alliances (Gulati et al., 2000; Gulati, 1998)
Shareholders	Annual general meetings, monetary symbols and other financial artefacts (e.g. graphs relating to monetary values or financial performances), performance indices	Use of the following texts or synonyms: Investments; investors; performance; quantification of products/ services; people***	Firms will use such representations to communicate their interests in their shareholders as stakeholders. Moreover, given the investment interests of shareholders in a firm, they would be more interested in financial numbers and other performance indices of the company than any other stakeholder groups.
Corporate self propagation (Management)	Corporate logos, flags, sign posts , management signatures and photos, and other identification artefacts and symbols (e.g. corporate plants, equipment, work stations, etc)	Use of the following texts or synonyms: Corporate name; management, CEO, board of directors	Firms will use such representations to propagate their corporate identity/image (Guthey and Jackson, 2005; Robertson and Clarke, 1971)

***people – it is recognised that the use of the text 'people' could vary from context to context. The researchers bore this in mind in deciding where to classify any occurrences of such in the texts and graphics analysed. Symbols, graphs, and photographs are also interpreted within their contexts or what the firms say they want them to signify. Where symbols, graphs, and photographs are not accompanied by texts, they are interpreted within the sections of the documents they appear under (e.g. employees or suppliers chapters).

Other complementary criteria

Photos

- Photos including sketches, water marks, and surrealist/impressionist pictures
- Where different pictures are merged (or superimposed) and without clearly marked boundaries between the pictures, they are counted as a single photo
- Photos are interpreted within context represented or presented

Graphics

- Graphics including pie, bar, trend charts as well as financial performance tables, tables on financial expenditures, large prints of financial symbols
- Process flowcharts are excluded

Logos

- Stand alone corporate logos – i.e. logos not inserted in photographs. They include logos on any attached post cards within the reports. This also applies where a company uses its corporate name as a logo as well – for instance, Rio Tinto

Logos within

- These are corporate logos within pictures or graphs in the reports. These logos should be clearly visible and not inferred – this is in order to maintain some level of "objectivity"

Management Statement (pages)

- Length of Management Statement – chairman statements and any other messages from management

Management Statement (paragraphs)

- Paragraphs of management statements - chairman statements and any other messages from management
- Paragraphs include title of messages, quotes on message pages
- Bullet points are also counted as paragraphs independently

Document Pages

- Total pages of document (s)

4

Example of the analysis of text in CSR Report – Excerpt from E.ON 2005 Corporate Social Responsibility, p.4

Our Commitment to Corporate Social Responsibility

We behave responsibly towards our colleagues, customers, suppliers, the environment, and the communities where we live and work. We seek to improve lives everywhere we operate, aiming for a healthy, safe, and sustainable environment. We consider the needs of the present generation and also anticipate the needs of future generations.

Corporate social responsibility (CSR) is a fundamental part of the way we do business. It has five key components: responsible corporate governance, the marketplace, the environment, communities, and the workplace. In each of these areas, we want to become a global leader in our industry.

More specifically, we:

- are responsible for providing our markets with a secure, economical, and climate-friendly supply of energy.
- support the ten principles propounded by the UN's Global Compact on human rights, working standards, environmental protection, and fighting corruption.
- are committed to successful long-term development in the communities where we live and work.
- report our achievements openly, reliably, and self-critically. This includes making an appropriate and balanced presentation of our economic, environmental, and social activities and achievements in line with the Global Reporting Initiative's current recommendations for sustainability reporting.
- seek to engage in objective dialog about our activities and about the challenges our industry will face in the future.

Board of Management of E.ON AG, Düsseldorf, June 2006

Bernotat

Bergmann

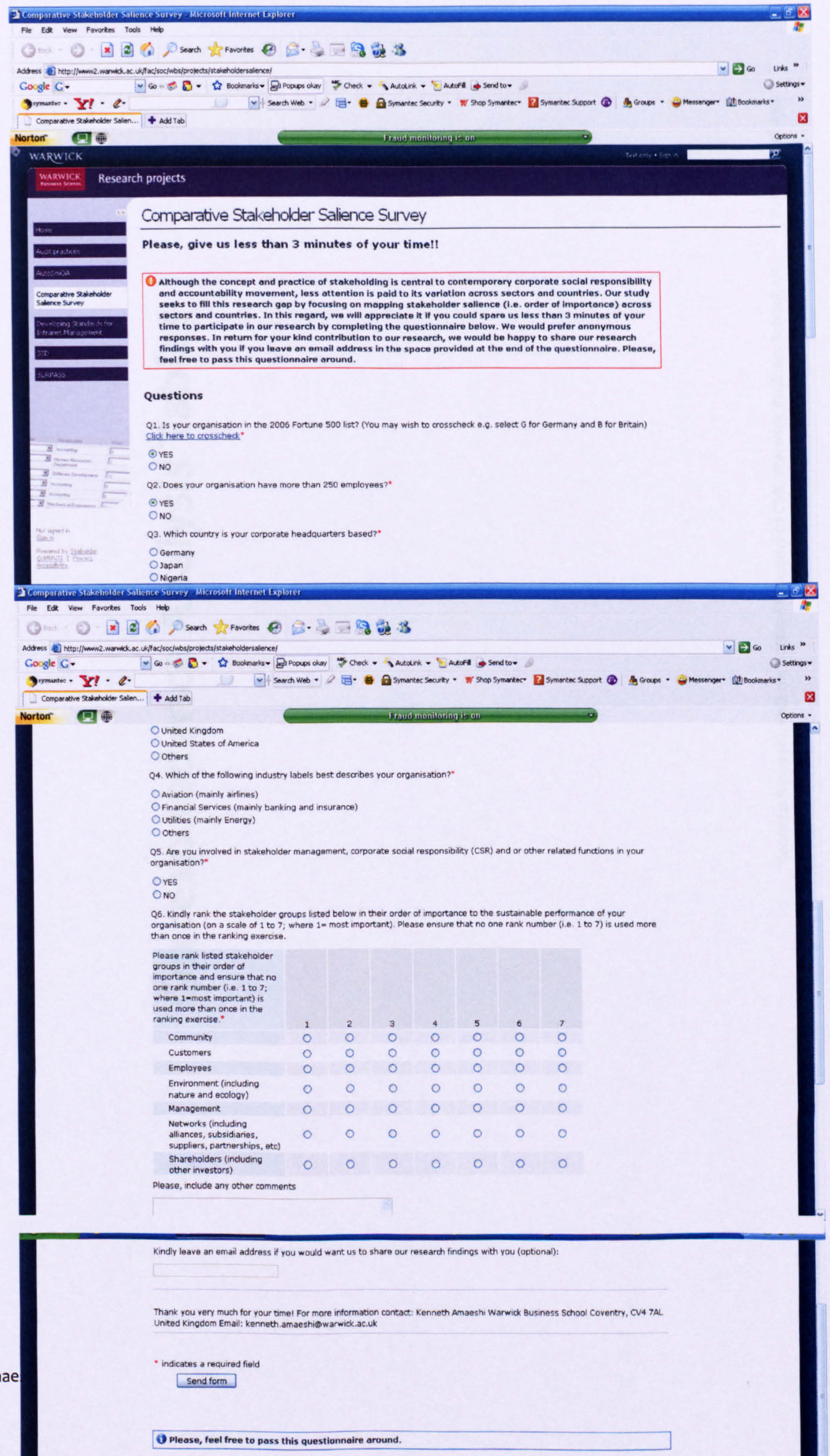
Gaul

Krüper

Schipporeit

Teyssen

Sample of Online Survey Questionnaire



Comparative Stakeholder Salience Survey

Please, give us less than 3 minutes of your time!!

Although the concept and practice of stakeholding is central to contemporary corporate social responsibility and accountability movement, less attention is paid to its variation across sectors and countries. Our study seeks to fill this research gap by focusing on mapping stakeholder salience (i.e. order of importance) across sectors and countries. In this regard, we will appreciate it if you could spare us less than 3 minutes of your time to participate in our research by completing the questionnaire below. We would prefer anonymous responses. In return for your kind contribution to our research, we would be happy to share our research findings with you if you leave an email address in the space provided at the end of the questionnaire. Please, feel free to pass this questionnaire around.

Questions

Q1. Is your organisation in the 2006 Fortune 500 list? (You may wish to crosscheck e.g. select G for Germany and B for Britain) Click here to crosscheck*

- YES
- NO

Q2. Does your organisation have more than 250 employees?*

- YES
- NO

Q3. Which country is your corporate headquarters based?*

- Germany
- Japan
- Nigeria
- United Kingdom
- United States of America
- Others

Q4. Which of the following industry labels best describes your organisation?*

- Aviation (mainly airlines)
- Financial Services (mainly banking and insurance)
- Utilities (mainly Energy)
- Others

Q5. Are you involved in stakeholder management, corporate social responsibility (CSR) and or other related functions in your organisation?*

- YES
- NO

Q6. Kindly rank the stakeholder groups listed below in their order of importance to the sustainable performance of your organisation (on a scale of 1 to 7; where 1= most important). Please ensure that no one rank number (i.e. 1 to 7) is used more than once in the ranking exercise.

Please rank listed stakeholder groups in their order of importance and ensure that no one rank number (i.e. 1 to 7; where 1=most important) is used more than once in the ranking exercise.*	1	2	3	4	5	6	7
Community	○	○	○	○	○	○	○
Customers	○	○	○	○	○	○	○
Employees	○	○	○	○	○	○	○
Environment (including nature and ecology)	○	○	○	○	○	○	○
Management	○	○	○	○	○	○	○
Networks (including alliances, subsidiaries, suppliers, partnerships, etc)	○	○	○	○	○	○	○
Shareholders (including other investors)	○	○	○	○	○	○	○

Please, include any other comments

Kindly leave an email address if you would want us to share our research findings with you (optional):

Thank you very much for your time! For more information contact: Kenneth Amaeshi Warwick Business School Coventry, CV4 7AL United Kingdom Email: kenneth.amaeshi@warwick.ac.uk

* indicates a required field

Send form

Please, feel free to pass this questionnaire around.

Correspondence Analysis Tables

Country-sector * Variables Crosstabulation

Count

		Variables							Total
		Employees	Networks	Shareholders	Environment	Community	Consumers	Management	
Country-sector	German Finance	137	125	283	1013	78	24	427	2087
	UK Finance	363	327	240	372	427	160	646	2535
	German Utilities	513	424	135	423	112	72	342	2021
	UK Utilities	205	414	256	469	252	138	244	1978
	German Aviation	193	416	51	621	143	95	585	2104
	UK Aviation	107	13	84	204	74	48	118	648
Total		1518	1719	1049	3102	1086	537	2362	11373

CORRESPONDENCE TABLES

Correspondence Table

	Variables							
Country-sector	Employees	Networks	Shareholders	Environment	Community	Consumers	Management	Active Margin
German Finance	137	125	283	1013	78	24	427	2087
UK Finance	363	327	240	372	427	160	646	2535
German Utilities	513	424	135	423	112	72	342	2021
UK Utilities	205	414	256	469	252	138	244	1978
German Aviation	193	416	51	621	143	95	585	2104
UK Aviation	107	13	84	204	74	48	118	648
Active Margin	1518	1719	1049	3102	1086	537	2362	11373

Row Profiles

Country-sector	Variables							
	Employees	Networks	Shareholders	Environment	Community	Consumers	Management	Active Margin
German Finance	.066	.060	.136	.485	.037	.011	.205	1.000
UK Finance	.143	.129	.095	.147	.168	.063	.255	1.000
German Utilities	.254	.210	.067	.209	.055	.036	.169	1.000
UK Utilities	.104	.209	.129	.237	.127	.070	.123	1.000
German Aviation	.092	.198	.024	.295	.068	.045	.278	1.000
UK Aviation	.165	.020	.130	.315	.114	.074	.182	1.000
Mass	.133	.151	.092	.273	.095	.047	.208	

Column Profiles

Country-sector	Variables							
	Employees	Networks	Shareholders	Environment	Community	Consumers	Management	Mass
German Finance	.090	.073	.270	.327	.072	.045	.181	.184
UK Finance	.239	.190	.229	.120	.393	.298	.273	.223
German Utilities	.338	.247	.129	.136	.103	.134	.145	.178
UK Utilities	.135	.241	.244	.151	.232	.257	.103	.174
German Aviation	.127	.242	.049	.200	.132	.177	.248	.185
UK Aviation	.070	.008	.080	.066	.068	.089	.050	.057
Active Margin	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

Summary

Dimension	Singular Value	Inertia	Chi Square	Sig.	Proportion of Inertia		Confidence Singular Value	
					Accounted for	Cumulative	Standard Deviation	Correlation 2
1	.297	.088			.514	.514	.009	.055
2	.195	.038			.221	.735	.009	
3	.161	.026			.150	.885		
4	.133	.018			.103	.987		
5	.046	.002			.013	1.000		
Total		.172	1956.302	.000[a]	1.000	1.000		

a. 30 degrees of freedom

Overview Row Points[a]

		Score in Dimension			Contribution				
					Of Point to Inertia of Dimension		Of Dimension to Inertia of Point		
Country-sector	Mass	1	2	Inertia	1	2	1	2	Total
German Finance	.184	1.060	-.047	.062	.693	.002	.987	.001	.989
UK Finance	.223	-.478	-.494	.030	.171	.279	.507	.355	.863
German Utilities	.178	-.407	.687	.032	.099	.430	.274	.512	.786
UK Utilities	.174	-.209	-.264	.018	.026	.062	.125	.130	.255
German Aviation	.185	.045	.392	.021	.001	.146	.005	.270	.275
UK Aviation	.057	.221	-.524	.009	.009	.080	.088	.325	.413
Active Total	1.000			.172	1.000	1.000			

a. Symmetrical normalization

Overview Column Points[a]

Variables	Mass	Score in Dimension		Inertia	Contribution				
					Of Point to Inertia of Dimension		Of Dimension to Inertia of Point		
		1	2		1	2	1	2	Total
Employees	.133	-.549	.446	.030	.136	.136	.402	.174	.576
Networks	.151	-.512	.510	.028	.133	.201	.422	.274	.697
Shareholders	.092	.312	-.640	.018	.030	.194	.151	.415	.566
Environment	.273	.757	.118	.048	.526	.020	.978	.016	.993
Community	.095	-.610	-.883	.025	.120	.382	.416	.571	.987
Consumers	.047	-.591	-.526	.009	.056	.067	.521	.271	.792
Management	.208	.008	-.003	.014	.000	.000	.000	.000	.000
Active Total	1.000			.172	1.000	1.000			

a. Symmetrical normalization

Multivariate Analysis of Variance: Post Hoc Tests

Sector

Multiple Comparisons

Dependent Variable		(I) Sector	(J) Sector	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
				Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound
Employees	Scheffe	Finance	Utilities	-7.9241	3.41986	.076	-16.5014	.6532
			Aviation	-10.5800(*)	4.19676	.049	-21.1059	-.0541
		Utilities	Finance	7.9241	3.41986	.076	-.6532	16.5014
			Aviation	-2.6559	4.48542	.840	-13.9057	8.5939
		Aviation	Finance	10.5800(*)	4.19676	.049	.0541	21.1059
			Utilities	2.6559	4.48542	.840	-8.5939	13.9057
	Bonferroni	Finance	Utilities	-7.9241	3.41986	.071	-16.3392	.4911
			Aviation	-10.5800(*)	4.19676	.043	-20.9068	-.2532
		Utilities	Finance	7.9241	3.41986	.071	-.4911	16.3392
			Aviation	-2.6559	4.48542	1.000	-13.6930	8.3812
		Aviation	Finance	10.5800(*)	4.19676	.043	.2532	20.9068
			Utilities	2.6559	4.48542	1.000	-8.3812	13.6930
Networks	Scheffe	Finance	Utilities	-11.5838	6.65204	.228	-28.2677	5.1001
			Aviation	-2.9697	8.16320	.936	-23.4438	17.5043
		Utilities	Finance	11.5838	6.65204	.228	-5.1001	28.2677
			Aviation	8.6141	8.72468	.617	-13.2682	30.4964
		Aviation	Finance	2.9697	8.16320	.936	-17.5043	23.4438
			Utilities	-8.6141	8.72468	.617	-30.4964	13.2682

Dependent Variable		(I) Sector	(J) Sector	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
				Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound
	Bonferroni	Finance	Utilities	-11.5838	6.65204	.260	-27.9523	4.7847
			Aviation	-2.9697	8.16320	1.000	-23.0567	17.1172
		Utilities	Finance	11.5838	6.65204	.260	-4.7847	27.9523
			Aviation	8.6141	8.72468	.982	-12.8545	30.0826
		Aviation	Finance	2.9697	8.16320	1.000	-17.1172	23.0567
			Utilities	-8.6141	8.72468	.982	-30.0826	12.8545
Shareholders	Scheffe	Finance	Utilities	.9011	6.95408	.992	-16.5403	18.3426
			Aviation	-.7946	8.53386	.996	-22.1983	20.6091
		Utilities	Finance	-.9011	6.95408	.992	-18.3426	16.5403
			Aviation	-1.6958	9.12082	.983	-24.5716	21.1801
		Aviation	Finance	.7946	8.53386	.996	-20.6091	22.1983
			Utilities	1.6958	9.12082	.983	-21.1801	24.5716
	Bonferroni	Finance	Utilities	.9011	6.95408	1.000	-16.2106	18.0128
			Aviation	-.7946	8.53386	1.000	-21.7936	20.2044
		Utilities	Finance	-.9011	6.95408	1.000	-18.0128	16.2106
			Aviation	-1.6958	9.12082	1.000	-24.1391	20.7476
		Aviation	Finance	.7946	8.53386	1.000	-20.2044	21.7936
			Utilities	1.6958	9.12082	1.000	-20.7476	24.1391
Environment	Scheffe	Finance	Utilities	4.8602	13.74466	.939	-29.6127	39.3330
			Aviation	-33.4895	16.86707	.148	-75.7936	8.8146
		Utilities	Finance	-4.8602	13.74466	.939	-39.3330	29.6127
			Aviation	-38.3497	18.02720	.113	-83.5635	6.8642
		Aviation	Finance	33.4895	16.86707	.148	-8.8146	75.7936

Dependent Variable		(I) Sector	(J) Sector	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
				Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound
			Utilities	38.3497	18.02720	.113	-6.8642	83.5635
	Bonferroni	Finance	Utilities	4.8602	13.74466	1.000	-28.9609	38.6813
			Aviation	-33.4895	16.86707	.155	-74.9938	8.0148
		Utilities	Finance	-4.8602	13.74466	1.000	-38.6813	28.9609
			Aviation	-38.3497	18.02720	.112	-82.7087	6.0093
		Aviation	Finance	33.4895	16.86707	.155	-8.0148	74.9938
			Utilities	38.3497	18.02720	.112	-6.0093	82.7087
Community	Scheffe	Finance	Utilities	-3.1867	4.35403	.766	-14.1070	7.7336
			Aviation	-3.3377	5.34315	.823	-16.7388	10.0634
		Utilities	Finance	3.1867	4.35403	.766	-7.7336	14.1070
			Aviation	-.1511	5.71066	1.000	-14.4739	14.1718
		Aviation	Finance	3.3377	5.34315	.823	-10.0634	16.7388
			Utilities	.1511	5.71066	1.000	-14.1718	14.4739
	Bonferroni	Finance	Utilities	-3.1867	4.35403	1.000	-13.9005	7.5272
			Aviation	-3.3377	5.34315	1.000	-16.4855	9.8100
		Utilities	Finance	3.1867	4.35403	1.000	-7.5272	13.9005
			Aviation	-.1511	5.71066	1.000	-14.2031	13.9010
		Aviation	Finance	3.3377	5.34315	1.000	-9.8100	16.4855
			Utilities	.1511	5.71066	1.000	-13.9010	14.2031
Consumers	Scheffe	Finance	Utilities	-6.6888	3.21638	.124	-14.7558	1.3782
			Aviation	-1.5747	3.94706	.924	-11.4743	8.3249
		Utilities	Finance	6.6888	3.21638	.124	-1.3782	14.7558
			Aviation	5.1141	4.21854	.484	-5.4664	15.6946

Dependent Variable		(I) Sector	(J) Sector	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
				Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound
		Aviation	Finance	1.5747	3.94706	.924	-8.3249	11.4743
			Utilities	-5.1141	4.21854	.484	-15.6946	5.4664
	Bonferroni	Finance	Utilities	-6.6888	3.21638	.125	-14.6033	1.2257
			Aviation	-1.5747	3.94706	1.000	-11.2871	8.1377
		Utilities	Finance	6.6888	3.21638	.125	-1.2257	14.6033
			Aviation	5.1141	4.21854	.690	-5.2663	15.4945
		Aviation	Finance	1.5747	3.94706	1.000	-8.1377	11.2871
			Utilities	-5.1141	4.21854	.690	-15.4945	5.2663
Management	Scheffe	Finance	Utilities	11.6610	5.22516	.091	-1.4442	24.7662
			Aviation	-2.6469	6.41218	.918	-18.7292	13.4355
		Utilities	Finance	-11.6610	5.22516	.091	-24.7662	1.4442
			Aviation	-14.3079	6.85321	.122	-31.4963	2.8806
		Aviation	Finance	2.6469	6.41218	.918	-13.4355	18.7292
			Utilities	14.3079	6.85321	.122	-2.8806	31.4963
	Bonferroni	Finance	Utilities	11.6610	5.22516	.088	-1.1964	24.5184
			Aviation	-2.6469	6.41218	1.000	-18.4251	13.1314
		Utilities	Finance	-11.6610	5.22516	.088	-24.5184	1.1964
			Aviation	-14.3079	6.85321	.123	-31.1714	2.5556
		Aviation	Finance	2.6469	6.41218	1.000	-13.1314	18.4251
			Utilities	14.3079	6.85321	.123	-2.5556	31.1714

Based on observed means.

* *The mean difference is significant at the .05 level.*

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