UNIVERSITEIT
GENT

FACULTEIT ECONOMIE
EN BEDRIJFSKUNDE

TWEEKERKENSTRAAT 2
B-9000 GENT
Tel. : 32 - (0)9 – 264.34.61
Fax. : 32 - (0)9 – 264.35.92

# WORKING PAPER

## CSR reporting: The mastery of the internal dynamics*

**Lies Bouten**†

May 2011

2011/721

* I am grateful for the financial support provided by the BOF research fund of Ghent University. In addition, suggestions from and/or discussions with Patricia Everaert, Carlos Larrinaga-González, Robin Roberts, Luc Van Liedekerke, Bart Cockx and Lieven De Moor were very much appreciated.

† Lies Bouten is a PhD student at the Department of Accountancy and Corporate Finance, Ghent University, Belgium, Lies.Bouten@UGent.be

D/2011/7012/26

## Abstract

Through in-depth semi-structured interviews with senior managers, this study tries to reveal the reasons behind both the presence and the absence of corporate social responsibility (CSR) disclosures in the annual reports of Belgian listed companies. Using a neo-institutional theory lens, the narratives indicate that although companies might feel some institutional pressures to report CSR information, 'institutional isolating mechanisms' might hinder companies to include this type of information in their annual reports. A conservative attitude towards reporting in general appears to constitute an institutional isolating mechanism in the context of CSR reporting.

## 1. Introduction

Over the last four decades, researchers have consistently speculated why companies voluntarily disclose corporate social responsibility (CSR) information to the public. Nevertheless, Spence and Gray (2007) state that academic research has not yet offered entirely convincing explanations of why organizations would voluntarily undertake such an onerous duty as CSR reporting. Moreover, they argue that although we do know a little about why organizations report, there is a pressing need to reveal why some organizations do not report any CSR information at all.

The primary purpose of this study, therefore, is to examine managerial perceptions of the motives for (voluntary) CSR reporting presence *and* absence. Through semi-structured interviews with 16 managers of 14 Belgian listed companies, this study aims to understand how CSR disclosure practices are embedded in broader processes in which organizational and individual dynamics are likely to be as influential as factors that are external to the organizations.

This study makes a number of contributions to the literature engaged in attempts to comprehend motives for CSR reporting. *First*, the study tries to fill a research gap by investigating both the presence and the absence of CSR reporting (see Spence and Gray, 2007). Although the absence of CSR reporting can tell us a lot about the nature of CSR reporting and its existence (Choudhury, 1988), apart from O'Dwyer's study (2002), little attention has been directed towards the instances of reporting absence. This approach is further influenced by the results of prior research into Belgian CSR reporting practices (see Study 1 and 2), which not only indicates a relative absence of CSR reporting, but also reveals that the determinants underlying the decision to disclose social and environmental information may be different from the determinants influencing the CSR disclosure level. *Second*, in contrast to the majority of prior empirical research, which tends to exclusively focus on corporate characteristics (such as size or industry) or general contextual factors (social, political, economical)(see Adams, 2002), this study also examines the impact of internal contextual factors. As such, this paper responds to Adams' (2002) call to gain a better understanding of the internal processes of and attitudes to communicating CSR information. *Third,* this paper is one of the first papers to utilize neo-institutional theory (DiMaggio and Powell, 1983; Greenwood, Oliver, Sahlin and Suddaby, 2008; Powell, 1991; Scott, 2008), to contribute to understandings about how various factors combine in the initiation of CSR reporting. A main characteristic of this theoretical framework is that it moves away from considering all organizational activities as something managers purposely initiate to achieve carefully considered outcomes. This study, thus, attempts to understand the influence of internal and external institutional processes on the initiation of CSR reporting. By using a neo-institutional theory perspective this study corresponds to a call from Larrinaga-González (2007, p. 150) who states that 'even though the explicit use of institutional theory for the analysis of sustainability reporting is low, this theoretical approach warrants examination'. *Finally*, although a call for more engagement-based studies on CSR reporting (Adams and Larrinaga-González, 2007; Gray, 2002; Thomson and Bebbington, 2005; Parker, 2005) has been echoed by a growing number of researchers (see Husillos-Carqués et al., 2010), there still remains considerable scope for a qualitative study that focuses on the managerial perspectives of CSR reporting (see Spence and Gray, 2007). Interview-based studies are a form of engagement research. By investigating CSR reporting and accountability at the level of the organization and its impacts on and interactions with other organizational processes, organizational structure, organizational behaviour, organizational dynamics and the institutionalization process, this interview-based study has the potential to identify what factors drive or prevent changes towards an accountable form of CSR reporting (Adams and Larrinaga-González, 2007, p. 335). In the above manner, this study adds significantly to our understanding of CSR reporting and therefore represents a substantial addition to, and extension of, the literature engaged in efforts to interpret the motives for social and environmental disclosures.

The remainder of this paper is organized as follows. Section 2 first elaborates on the existing explanations of CSR reporting and their difficulties. These difficulties motivate the neo-institutional analysis approach, which is explained in the second part of this section. The research method is discussed in Section 3. The interview findings are presented and deliberated upon in Section 4. These findings are discussed and the study concludes with some final reflections in Section 5.

## 2. Theoretical background

### *2.1. External vs. internal motivations*

Legitimacy theory and (the managerial branch of) stakeholder theory are frequently utilised theoretical perspectives in the social and environmental disclosure literature (e.g., Chen and Roberts, 2010; Elijido-Ten et al., 2010; Gray et al., 2010). Both theories describe how CSR reporting will arise in response to pressures on firms to be responsible (Spence and Gray, 2007). The main difference between both theories lies in the degree of resolution (see, e.g., Gray et al., 1995; Gray et al., 2010; Chen and Roberts, 2010; Elijido-Ten et al., 2010). While in the legitimacy framework, it is the general public that confers legitimacy to an organization; stakeholders' demands are central in the stakeholder theory. The overlap between both theories is such that when researchers such as Lindblom (1993), who embrace legitimacy theory, discuss the concerns of the 'relevant public', they focus on particular groups in society and indeed are (implicitly) borrowing insights from stakeholder theory (Deegan, 2002, p. 295). Gray et al. (2010, p. 28) even state that legitimacy theory basically takes the managerial branch of stakeholder theory and adds conflict and dissension to the picture.

*Quantitative* studies have provided the basis for these dominant perspectives (especially for legitimacy theory) in the CSR reporting literature (Spence and Gray, 2007, p. 24). While these studies have succeeded in establishing broad relationships between CSR reporting and factors such as size and industry, *qualitative* studies have indicated that motivations to disclose are somewhat more complex than simply to achieve organizational legitimacy or to manage stakeholder relationships (e.g. Adams, 2002; Buhr, 2002; O'Dwyer, 2002; Spence and Gray, 2007) and revealed the difficulty of explaining the lack of disclosure on some issues by using these theories (see Adams et al., 1995). According to Adams and Larrinaga-González (2007), it is only through engagement-based research that we might better understand which external *and* internal factors drive *and* prevent changes towards a more accountable form of CSR reporting.

Due to the quantitative focus of prior studies, however, little research has been done on the internal processes of CSR reporting or attitudes, which influence decision-making (Adams, 2002). The overview study of Adams (2002) reveals that only two internal motives have been considered in the literature: company chair (Campbell, 2000) and presence of social reporting committee (Cowen et al., 1987). In her interview-based study, Adams (2002) subsequently identifies a series of both external and internal contextual factors that influence reporting decisions. The 'internal contextual factors' relate both to the attitudes of organizational members and to the organization's internal processes and governance structures. For example, in addition to managerial attitudes towards CSR reporting, Adams (2002) suggests that the way in which organizations structure their reporting processes (i.e. which departments are involved, the timing and resources committed) has an important impact on the extensiveness, the quality and quantity, and the completeness of reporting. Adam's study (2002) illustrates that existing theories can at most only partially explain the phenomenon of social and environmental reporting since they do not take into account the internal organizational context.

Inspired by Adams' (2002) study, Husillos-Carqués et al. (2010) and Spence and Gray (2007) have conducted a field study of the external and internal contexts that motivate CSR reporting in Spain and the UK. Both studies confirm that assemblages of external and internal influences motivate CSR reporting. More specifically, besides the role of key individuals or champions, Husillos-Carqués et al. (2010) identify the following (positive) internal influences: consistency between the philosophy of CSR reporting and core values of the firm; experience with total quality or environmental management systems, as well as with preparing reports; and internal audiences (i.e., CSR reporting as a means for organizational change). Although the interview-based study of Spence and Gray (2007) confirms that a variety of different pressures and perceived benefits, including reputation and risk management, stakeholder management, satisfying pressures from the city, peer pressure, and socio-environmental and business efficiency reasons, underpin CSR reporting, the authors argue that these different motivations converge around the notions of the 'business case'. In other words, they argue that a prevalence of commercial motivations determines CSR reporting.

The interview-based study of Bebbington et al. (2009), however, reveals that rather than being initiated rationally, CSR reporting may be initiated by managers to 'fit in' and to act 'appropriately' in the context in which they operate. Using a neo-institutional theory lens the authors argue that coercive, normative and mimetic pressures interact with various organizational conditions to shape CSR reporting as an 'appropriate' 'normal' activity or 'the right thing to do' (p. 615). As such, they state that neo-institutional theory provides a useful lens through which an assemblage of internal and external factors that influence CSR reporting may be viewed (see also Adams and Larrinaga-González, 2007). Similarly, Larrinaga-González (2007) hints that the institutional theory framework warrants examination because it overlaps with some of the established theories in the social and environmental disclosure literature, especially legitimacy theory, while Gray et al. (2010) note that the neo-institutional theory offers a promising alternative frame for studying social accounting.

### *2.2. Neo-institutional theory*

Neo-institutional theory assumes that social influence and pressures for social conformity shape organizational structures and practices (Oliver, 1997, p. 698). Consequently, this theoretical framework downplays managerial discretion and focuses on how the social context influences organizational participants to behave relatively unconsciously in ways that are ‘normal’ to ‘fit in’ and appear ‘appropriate’ (Bebbington et al., 2009; DiMaggio and Powell, 1983; DiMaggio and Powell, 1991; Meyer and Rowan, 1977). In the neo-institutional framework, organizational activities, rather than being totally at the discretion of managers, are selected from ‘a narrowly defined set of legitimate options determined by the groups of actors composing the firm’s *organizational field*’ (Hoffman, 1999, p. 351, emphasis in the original). Organizational fields comprise all actors (e.g., key suppliers, customers, government, organizations that produce similar products, NGOs, industry organizations) ‘that partake of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field’ (Scott, 1994, quoted in Scott, 2008, p. 86). Although organizational fields are often considered analogous to ‘industry’ (Scott, 2008), Hoffman (1999) suggests that fields also can form around ‘issues’ in the context of social pressures that influence the adoption of common practices, such as CSR practices. Fields can thus be considered as ‘socially constructed space arising from interactions, shared interests, common concerns, joint activities and so on’ (Gray et al., 2010, p. 26). Larrinaga-González (2007) points to the existence of some locally based CSR reporting fields around e.g. EMAS and the GRI.

From a neo-institutional perspective, managers conform to societal expectations of the actors in the organizational field to safeguard organizational success and survival (Meyer and Rowan, 1977). Hence, legitimacy theory and neo-institutional theory overlap. However, neo-institutional theory expands the approach from the rational, resource-based view common in the CSR reporting literature (Deegan, 2002; Deegan, 2007) to something beyond a purely instrumental logic, i.e., to something more subtle and shaped by a more complex range of factors, than deliberate decision-making (Bebbington et al., 2009, p. 592).

***Mechanisms of institutionalization***

Institutionalization refers to both the process and the outcome of a process, by which a practice becomes usual, desirable and/or taken for granted in organizations of a particular organizational field (Larrinaga-González, 2007, p. 151). The fact that CSR reporting is becoming a common practice for many large firms provides powerful evidence of an institutionalization process (see Larrinaga-González, 2007). The typology of DiMaggio and Powell (1983), which focuses attention on three mechanisms (coercive, normative and mimetic), is helpful in understanding the various forces or motives for adopting new organizational practices such as CSR reporting. These three mechanisms map well onto the three types of institutional pillars – regulative, normative, and cultural-cognitive – identified by Scott (2008) since institutionalization involves transitions among these three pillars.

*Coercive mechanisms* occur if external constituents, typically, powerful actors (e.g., the state, B2B customers) cajole or force an organization to adopt organizational practices (Greenwood et al., 2008). Requirements from external rating agencies/investment funds and demands of owners to provide information are examples of coercive pressures in the context of CSR reporting (Bebbington et al., 2009). To avoid sanctions, available to actors on which they dependent, organizations will respond to these pressures and adopt the required organizational practice (Greenwood et al., 2008). The higher the degree of external dependence on the pressuring actors, the more likely it is that the organization will introduce the specific practice (DiMaggio and Powell, 1983; Oliver, 1991). Like stakeholder theory (see Deegan, 2007; Gray et al., 1996; 2010), neo-institutional theory thus embraces the difference in power between various actors.

Although this adoption may be largely ceremonial (DiMaggio and Powell, 1983; Jennings and Zanderbergen, 1995; Meyer and Rowan, 1977; Scott, 2008), it reflects a rational decision, made in the interest of the organization, in terms of acquiring or maintaining resources (Larrinaga-González, 2007). Legitimacy theory, also assumes a manipulative logic on the basis of self-interest. Hence, legitimacy theory may correspond with Scott's regulative pillar (see Larrinaga-González, 2007). The central ingredients of the regulative pillar are thus force, sanction and expedience (Scott, 2008).

The *normative* institutional pillar influences values (what is desirable/socially acceptable to pursue) and norms (how things should be done/appropriate ways to pursure values) (Scott, 2008). Normative expectations of how organizations should behave are held by salient actors and are experienced by the focal organization as external pressure (Scott, 2008). Also, and to varying degrees, these expectations become internalized by the actors (Scott, 2008, p. 55). Normative isomorphism thus occurs because organizations are motivated to respect social obligations (Greenwood et al. 2008). Normative rules are thus not required by coercion, but through a legitimate authority of norms and values (Scott, 1987). Bebbington et al. (2009) observe that some interviewees consider CSR and CSR reporting as 'the right thing to do' in terms of personal or organizational values and conclude that this reflects the influence of normative expectations, especially since the interviewees comment that CSR reporting is done, in part, irrespective of whether there is a business case. This illustrates that while managers still make conscious choices, under normative pressures, a logic of appropriateness, replaces and sets limits on instrumental behaviour (Scott, 2008). According to DiMaggio and Powell (1983), normative isomorphism is propelled trough professionalization, formal education and professional networks. In the context of CSR reporting, the GRI guidelines and the ACCA awards can be considered as examples of normative mechanisms (Larrinaga-González, 2007).

Finally, under *the cultural-cognitive pillar* activities are enacted in relatively taken for granted ways. According to DiMaggio and Powell (1983), the isomorphic mechanism that better captures the cognitive institution is *imitation*. Since organizations prefer to act in conventional ways, they imitate those peers that seem to be more successful and legitimate (DiMaggio and Powell, 1983). According to DiMaggio and Powell (1983), uncertainty is a powerful force that encourages imitation. Imitation has a ritual aspect: companies imitate to enhance their legitimacy, to demonstrate they are at least trying to improve the e.g. working conditions (DiMaggio and Powell, 1983, p.151).

***Internal context***

Although all organizations within a given institutional field are subject to some institutional pressures, not all organizations respond to them by adopting the required practice (Scott, 2008). Powell (1991) identifies two main reasons for this. First, all organizations are not equally subject to the institutional pressures at work in the field. Second, organizational responses to these pressures may vary. According to Greenwood and Hinings (1996), the response of the organization to pressures in the institutional fields is a function of the internal organizational dynamics. Oliver (1997) distinguishes two levels within the organizational dynamics: the individual level (decision makers' norms and values, habits and unconscious conformity to tradition) and the firm level (organisational culture and politics, shared belief systems). The processes at the individual level and the firm level determine the response to the institutional pressures.

In this context, Bebbington et al. (2009, p. 616) argue that ‘what goes on inside organisations is as important as what goes on outside organisations to the institutional process’. In particular, they find that the interplay of (i) answering business challenges using CSR reporting, (ii) viewing CSR reporting as a legitimate symbol of CSR practices and (iii) achievement/promise of rewards related to CSR reporting appears to be an important dynamic that leverages how institutional pressures influence CSR reporting. Although there is some overlap between these findings and those of Spence and Gray (2007), the interpretation is somewhat different. Where Bebbington et al. (2009) argue that the interplay between (overwhelmingly mimetic) institutional pressures and internal context causes CSR reporting, Spence and Gray (2007) argue that (only) commercial motivations determine CSR reporting.

*Institutional isolating mechanisms*

Most new institutional theory studies discuss how actors respond to external institutional pressures, but neo-institutional theory is also concerned with institutional forces from ‘within’ that create or hinder change (Powell, 1991; Greenwood and Hinings, 1996). In this context, Oliver (1997) discusses the existence of ‘institutional isolating mechanisms’, which reflect a reluctance to imitate what is experienced as incompatible with a firms’ cultural or political context (Oliver, 1997, p. 704). One of the requisites for change, for example, is the support by top management. This points to the existence of internal institutional pressures, which may lead to inertia.

Overall, the literature reveals that neo-institutional theory might explain CSR reporting that emanates from a firm’s social context as well as from factors arising within firms (see Oliver, 1997; Combs et al., in press). Since both external and internal organizational context influence the institutionalization process, this papers studies this process at the organizational rather than the field level. Given that CSR reporting is yet to reach institutional status and is still evolving in complex ways in multiple fields, the analysis of the organizational level is interesting and relevant (see also Bebbington et al., 2009).

## 3. Research Method

Since narratives exhibit an explanation (Czarniawska, 2004), interviews were used to illuminate the various internal and external motives behind CSR (non)disclosure. Internal and external factors only influence the organizational practices because organizational members construct a rationale around it (Czarniawska, 2004; Husillos-Carqués et al., 2010). Interviews can reveal these rationales (Larrinaga et al., 2001) and, as such, might provide a deeper understanding of CSR reporting practices, than would be obtained from purely quantitative research (see Silverman, 2000). The interview evidence in this study was collected through semi-structured in-depth personal interviews with 16 managers in 14 Belgian listed companies. The interviews were guided by a small number of broad open-ended questions and were conducted on the interviewees' company premises (with two exceptions). The interviews ranged from 30 minutes to one and a half hours in duration. Interviews were carried out between July and December 2010.

In their enquiry, Spence and Gray (2007) experienced sample selection problems and as such were forced to limit their final sample to disclosing companies. To overcome this sample selection problem, the email sent to the interviewees to request an interview was kept general and outlined that the project was concerned with decisions to include different voluntary information items (such as strategy and social issues) into the annual report. The initial email was sent to the person who was responsible for the annual report (as outlined at the end of the annual reports or as indicated on the website). The 2009 annual reports were used to sample the firms. Since earlier research (Study 2) indicates that different variables may influence the decision to disclose and the disclosure level, companies with varying degrees of CSR information were sampled, ranging from non-disclosing companies to the disclosing champions (see Table 1). Moreover, the companies were selected as such that each non-disclosing company had an industrial counterpart among the disclosing companies. This approach allowed us to identify why some companies do provide – extensively or concise – CSR information while others do not report any information at all. In contrast to studies such as Spence and Gray (2007), the sample was thus not limited to disclosure champions. The inclusion of deviant cases in the sample, clearly demonstrates that the cases were selected on the basis of a theoretical replication logic (Silverman, 2000; Yin, 2003).

Many interviewees held the function of CFO (see Table 1). Traditionally, these persons are responsible for the compilation of the annual report. This means that all interviewees had some input into the formulation of the corporate annual report, in most cases performing a review function, and therefore might have been exposed to the issue of CSR disclosure at some stage. As their title reveals there is a focus on shareholders; however, this focus has broadened over the years. Besides being responsible for upholding a dialogue with present and potential investors, they are involved in the process of developing communication strategies, structuring annual reports, preparing company presentations and so forth (Arvidsson, 2010). Furthermore, individuals at the senior level could be expected to have a profound knowledge of the organisation and its strategic objectives, and may thus be viewed as being able to address questions investigating perceptions of absence or presence of CSR information (Belal and Owen, 2007).

***Conducting the interviews***

The email sent to the interviewees seeking an interview outlined that the project was concerned with decisions regarding whether to include different voluntary information items (such as strategy and social reporting) in the annual report. Access to companies was granted on the understanding that the results would be published anonymously. Detailed information on corporate operations cannot therefore be given.

Before commencing each interview, the nature of the research was again outlined for each interviewee. The interviews were semi-structured, which indicates that the questions were open-ended in order to invite the interviewees to participate in a guided conversation (O'Dwyer, 2004; Patton, 2002). Most interviewees covered the areas in the interview guide without the need for much direction.

The interview protocol (see Appendix 1) was informed by the literature (Patton, 2002; Yin, 2003) and structured around broad discussion areas identified by Adams (2002), who describes a series of 'inner contextual' factors (i.e. process variables or attitudes and views) that influence reporting within organizations. Following Adams (2002), the subsequent process variables were integrated in the interview protocol: degree of formality with which reports are constructed, the departments that are involved in the preparation of the reports and the extent to which the company studies other companies' (annual or stand-alone) reports and refers to guidelines on CSR reporting. Reporting structures and processes determine who is involved at what level, whilst views and attitudes of corporate players should provide important insights into what companies are trying to achieve in their (CSR) reporting. Some questions also sound the interviewees out about their thoughts concerning reporting and the annual report *in general*. The interview-based study of Teoh and Thong (1984), which revealed that companies motivate their decision to report no CSR information by stating that their annual reports have always been kept very brief, explains this choice, since there might be some kind of conservative attitude towards reporting in general. Furthermore, some questions directly probe the company's intention to report voluntary information in general, while others focus on the intentions to provide CSR information in particular. Based on the results of O'Dwyer (2002) an additional theme, which probed into the motivations behind CSR reporting of other companies, was included into the interview protocol. This choice was based on O'Dwyer's (2002) finding that companies elaborate easier on other companies' motivations and that conflicting other companies' motives with their own motives can be really informative. The resulting interview protocol was quite wide ranging; all the areas of the protocol were related in some way to reporting motivations. The interview protocol served to structure the conversations loosely. Each topic on the interview protocol was discussed, although the extent to which the interviewees talked about any particular issue varied.

***Data analysis***

A systematic approach to data-analysis was undertaken based on O'Dwyer (2004) and Spence and Gray (2007). This approach is summarized in Figure 1. All the interviews were recorded and notes were taken. Immediately after each interview, reflections were written up into a research diary. In this diary, an inner dialogue reflecting on the interviews was recorded. This provided a provisional running record of analysis and interpretation (O'Dwyer, 2004). All tapes were transcribed by the researcher. This helped to get immersed in the data (Patton, 2002). During the interview collection phase, initial readings of early transcripts also meant that in subsequent interviews certain issues that appeared to be arising from these readings could be probed more deeply (see Silverman, 2000, Patton, 2002, O'Dwyer, 2004). During the main study, (i.e. after data collection had ceased) each transcript was coded using Atlas-ti software. The codes were derived initially from the interview protocol and prior literature review (Yin, 2003), but the semi-structured nature of the interview meant that most of the codes were intuitively derived (see Miles and Huberman, 1994; O'Dwyer, 2004). In total, the transcripts were read on four separate occasions. The first and second in-depth reading was undertaken with the tape of the interview running 'as emphasis, mood, intonation and so on can crucially elaborate meaning' (Jones, 1985, p. 58). After the third reading, a detailed summary of each interview was prepared. Summaries of the individual interviews were then collated by theme in order to check for completion of data and to identify possible areas where further information might be needed (Adams, 2002; Patton, 2002). In such cases, the additional information was collected through short telephone conversations. After the fourth reading, a mind map was drawn for each company. Once the coding was completed (i.e. after the fourth reading), detailed matrices summarizing the themes/codes identified in each transcript (Miles and Huberman, 1994) were then developed in order to visually display the themes emerging. These displays aided in identifying patterns in the interview evidence as a whole with the predominant codes/themes becoming evident partially by mapping the relative incidence of different codes (see Patton, 2002). The construction of matrices was also helpful in revealing contradictions in the data. Each open code included both affirmative and negative information. The detailed field notes, mind maps, memos, interview summaries and journal were revisited and analysed in conjunction with a study of the final summary matrices (O'Dwyer, 2004; Spence and Gray, 2007).

Finally, a mind map of the motivations was drawn in order to visualize the different motivations and group them into more general motivational themes. The grouping into motivational themes is arbitrary and it is recognized that alternative groupings are possible. A neo-institutional theory lens was subsequently used to interpret the evidence, as this lens enabled one to encapsulate the core issues emanating from the analysis in a coherent narrative.

## 4. Findings

The interview evidence reported in this paper relates to manager's perceptions of the motives behind CSR reporting presence and absence. Throughout the interviews, it was clear that the general reporting culture differed between CSR disclosing and non-disclosing companies. This difference in attitude towards reporting in general is described in the first section. Furthermore, the interviews revealed that managers initiate CSR reporting as a response to perceived external institutional pressures regarding CSR performance or CSR reporting. These perceptions are described in the subsequent section. Given this evidence, the final section describes how these pressures might influence the specific content and the extent of the CSR disclosures.

### *4.1. General attitude towards the annual report*

During the interviews the company's attitude towards reporting (in general, thus not only CSR reporting) could be unravelled. This revealed that three out of five non-disclosing companies (Companies A, B and C) have a rather conservative, or even negative, attitude towards reporting since they explicitly state that they prefer to report only the mandatory required information. Two of the interviewees (Companies A and B) even used the French telling 'pour vivre heureux, vivons cachés' in discussing their company's attitude towards reporting. When probed if the company would consider providing information regarding their high staff turnover, the interviewee of Company C gave a revealing answer:

> As long as they do not force me to provide some information, I will not amuse myself with that (…) I only provide the basics. (Company C)

This conservative attitude stands in sharp contrast with the attitude expressed by one of the CSR reporting champions, who explained the detailed discussion of the company's mission and values in the annual report from a transparency perspective, i.e., as part of the account they provide to the wider society.

> Yeah, it is just a form of communication. This is just an illustration of what we call social responsibility, 'do what you say and say what you do', and this fits into the philosophy of being so transparent as possible because, in the long run, part of the account you give in the annual report, forms your license to operate, in the long run (Company L).

The attitude towards reporting is also reflected in the role/function attributed to the annual report. Most of the interviewees considered the annual report as the company's business card and, as such, as an important – or even the most important - company brochure. Therefore, in most companies the annual report was considered as an important communication tool and in some companies (in particular B2B companies), this document was even viewed as a marketing tool. This indicates that a lot of effort and resources are put into the compilation of this document.

> You use it to spread some messages, also in the media; as such, it supports all the other communication messages you give, so you try to cover that. You try to give the readers a well-balanced idea of what the company is, what it stands for, what we do, and also the social aspects. (Company M)

> You show yourself, we consider it [annual report] as a document you use to operate in the outside world, it's a marketing document. (Company F)

On the other hand, the interviewees of the three companies with a conservative attitude towards reporting in general explicitly state that they do not use the annual report as a marketing tool or that they are not convinced of its capacity as a marketing instrument (Companies A, B and C).

Furthermore, the conservative attitudes of these companies towards reporting may be related to their difficulties in identifying audiences: one interviewee stated 'nobody', one indicated that nobody reads it and another one had difficulties naming audiences.

In two cases (Companies A and B), the interviewees claimed that the conservative attitude and the difficulties in naming audiences could be explained by the specific ownership structure: both were family-owned.

> We think that we provide sufficient information. We do not go into CSR and other stuff. This can be explained by our specific shareowner status. We have a reference shareholder who controls slightly more than 60% of the shares; thus these are two important shareholders, brother and sister, ultimately … and I do not have to explain to him what has happened last year, you know. (Company A)

This is confirmed by another company in the sample, which discloses more, since the grip of the family decreased. The possible effect of the disclosures on the family capital limited the disclosure extent.

> Everything that was communicated, was decided, certainly on the financial level, had a direct link or impact on the private equity of the shareholders. Thus, if they needed to do sustainability things, that was a cost and a cost is at the expense of the private equity or the quotation. While, now, the management, except for the CEO, is completely external

> and the board of directors has been broadened. Thus, the pressure of the private equity is much less. (Company G)

The number of people involved in the creation of the annual report also might reflect the importance attached to this document. In three out of five non-disclosing companies (Companies B, D and E), the annual report was nearly entirely the work of one single person, while in disclosing companies usually more than a dozen people were involved. This might indicate that these companies (Companies B, D and E) prefer to/could spend not too much time on the annual report. In Company D this might be explained by fact that the company is still relatively young and has not installed a formal reporting process yet, while in Company E this might be explained by the small size of the company.

Overall, the analysis reveals that non-disclosing companies have no reporting culture/tradition. This might be explained either by their conservative attitude towards reporting or by their small size or young age. The companies (A, B, C) that express a conservative attitude towards reporting, i.e. 'the less we say the better' (Company B), clearly have no culture of transparency. Therefore, there might be some 'internal' institutional forces concerning reporting in general that hinder the initiation of CSR reporting (Oliver, 1997) in these companies.

### *4.2. Institutional pressures related to CSR reporting or CSR behaviour*

The companies reported some institutional pressure(s) (normative, coercive or mimetic) related to either the adoption of *CSR practices* and/or the *reporting* of those practices.

#### *Coercive pressures*

Four companies (F, G, H, K) indicated that they felt forced by their B2B customers to adopt some CSR practices. Since B2B customers typically represent a significant part of the sales, companies introduce the CSR practices that they require. Indeed, non-conformity would put their sales at risk. The initiation of CSR practices is, thus, motivated by the threat of a sanction, which is an important element of the coercive mechanism (Scott, 2008). B2B customers, thus, represent environmental agents that are sufficiently powerful to impose CSR practices on their suppliers (see DiMaggio and Powell, 1983; Oliver, 1991; Scott, 1987). Given that B2B customers are considered as an important annual report audience, companies do not hesitate to use the annual report, which they consider as a marketing tool, to convince B2B customers that they have undertaken the necessary CSR practices. CSR reporting is thus an indirect response to the coercive pressures related to CSR practices. This is not surprising since disclosure of this information to the relevant publics is necessary to influence the perceptions of these stakeholders and, as such, for influencing legitimacy (see Deegan, 2007).

> More and more we were invited to participate in sustainability programs from [B2B] customers. Company X invites you and then says, well, you will do it in this way. You are thus forced to do it. (…) Although customers do not demand that we include the CSR information in the annual report, we do it to show them that we are working on it.(Company G)

> Our [B2B] customers ask for that, Company Y, and Company Z, those companies are saying ‘everybody who delivers something to us must declare or guarantee that their products are realized without child labour, without exploitation’. Your [B2B] customers thus force you. (Company K)

Similar to Bebbington et al. (2009), we find that the commercial considerations leverage the coercive pressure related to CSR behaviour in the decision to initiate CSR reporting. It is clear that companies that conform to the requirements of B2B customers can be considered as pursuing their self-interests and as behaving instrumentally. Furthermore, the quotation below confirms Schelling’s (1978) (quoted in DiMaggio and Powell, 1991, p. 65) statement that ‘organizations respond to an environment that consists of other organizations responding to their environment, which consists of organizations responding to an environment of organizations’ responses’.

> Many of our customers are governmental bodies, and they have to follow the rules; they have to demonstrate to their democratic supporters that they only buy products from companies that follow the rules. Consequently, it has become a necessity to undertake those [CSR] practices. (…) [Why would you like to have a stand-alone CSR report?] First, we have more and more customers, that – let us be honest - ask that you can prove that you are a sustainable company because they have a shareholder status that only permits them to have suppliers that work in a sustainable manner. (Company H)

CSR reporting, thus, might have been initiated because the benefits of conforming to these institutional pressures outweigh the cost of reporting. Nevertheless, the fact that these companies start to report CSR practices does not necessarily reflect a CSR vision. Company F clearly admits that they 'never wanted to create some kind of footprint programs, that is nice to have, but we have other priorities'.

Although some B2B customers perform some social and environmental audits to be sure that their requirements are fulfilled, CSR reporting might be part of an impression management strategy (Neu et al., 1998). Company G even admits that they communicate the adoption of the required CSR practices to the B2B customers in such a way that they 'create the illusion' that they are really working hard on it. Furthermore it seems that B2B suppliers stimulate this behaviour by demanding both the initiation of CSR practices and a sharper price.

> We try to – it is also a bit creating an illusion – we try to give them the impression that we are working really hard on it – mmm and every possible means to this end are good. We are working on it but … B2B customers always detach prices and sustainability efforts from each other … They will not pay a eurocent more for it [sustainability practices] (Company G)

In Company N, a CSR policy was introduced to anticipate future legal and social requirements concerning the sustainability characteristics of their buildings. At the same time, investment funds and shareholders were not only becoming worried that the company could not comply with future legislation, they also started to ask more and more general questions concerning the CSR policy of the company. A recent survey of van Staden and de Villiers (2010) confirms that, nowadays, even individual shareholders request environmental information. The interviewees indicated that these questions enhanced their decision to initiate a CSR policy and also functioned as an important driver for their CSR reporting. CSR reporting was thus used to signal conformity to future and current coercive pressures (future legislation; shareholders) and normative pressures (societal obligations).

> It [CSR measures] is maybe not compulsory today, but it can become compulsory in the next years, and after all, it can also become socially obliged in the next years, this means that we need to anticipate …. That was internally; then we started to get questions from the ‘outside’ world, from consultants or companies that give investment advice, and they started to send really long questionnaires. We did not feel comfortable responding to those questionnaires individually since these were not only very long, but what is a sensitive issue in our organisation is privileged information (…) so we started to think what should we do? Then we decided to, we prefer, a proactive approach, which means that we provide this information through our annual report. (Company N)

The initiation of CSR practices is again easily malleable to business considerations: ‘I do not say this because we are nice people, it is also risk reduction’. The same is true for the introduction of CSR reporting, which is used to (i) communicate that the company has undertaken the necessary steps to comply with upcoming legislation; ‘if you say nothing then you might create even more uncertainty, since now with that directive (…), if you say nothing they might think that there will be a problem’, and (ii) to answer specific CSR related questions of shareholders. In each case, the company benefits from disclosing and acts thus instrumentally and expediently (see also Bebbington et al., 2009). Since this company has a high free float, it is not surprising that they try to include the requested CSR information in the annual report, which is ultimately written for this audience.

Finally, one non-disclosing company mentioned they were ‘forced’ by the government to take some environmental measures since non-compliance would have put their license to produce at risk.

> The switch from fuel oil to gas was almost an obligation (…) Regarding fuel oil, some CO2 emission requirements were imposed on us because we are relatively, we are part of the top 500 of the industrial companies in Flanders, and, as such we have to deal with some CO2 emission requirements, but each year, these would getting tougher and tougher, unless we would switch to another technology; so, in the end, we could decide

> to continue to use fuel oil, but that would have involved production [capacity] problems. (Company B)

It is clear that this company has no real CSR policy. Although they adopt specific CSR practices this was ‘not a conscious decision’ since the government forced them to do so. This interviewee also indicated that he felt some pressure from the public to report social and environmental aspects and some pressure from the B2B customers as he indicated ‘indeed they are performing green audits’. When probed regarding why the company does not respond to these pressures by including relevant information into the annual report, the interviewee replied that he never would think about including CSR information into the annual report since ‘the CEO would erase it anyway’. Unsurprisingly, this company is one of the companies that used the French saying ‘Pour vivre heureux, vivons cachés’ to describe their attitude towards the annual report. Here, the conservative attitude of the company, which is informed by the vision of the CEO, hinders the initiation of CSR reporting, and thus, functions as an ‘institutional isolating mechanism’ (see Oliver, 1997).

***Normative pressures***

Companies L and M (in particular their CEOs) are convinced that in order to be legitimate, they have to adopt socially responsible practices, which according to these companies have emerged as shared social values (Larrinaga-González, 2007). The fact that these companies are attentive and adapt to societal values and rules reflects the normative pressures.

> Do we feel pressure? Gosh, to us there is no pressure that is an essential aspect of a good financial result. It is part of our internal, and you see a shift there, but that only confirms the trend. If you look at BP today, everybody asks them: ‘What are you guys doing?’ and how do you deal with that, well, I already mentioned it. Ultimately, the society asks you a license to operate. But for us, it is no pressure, since it is consistent with everything we do. Nevertheless, you see that this is followed more closely today. When we started to build our windmills ten years ago, everybody thought ‘what are they doing?’ Today, everybody finds it obvious. (Company L)

> Some environmental processes are already irreversible (…) but everything you can do to slow down the process, or to reverse it, is really important. Once you are convinced

> of this, you want to make sure that you do not only manage a business today, but are still managing it within twenty years and that, at least, you try to neutralise your pollution and the easiest way is to buy emission rights. It is not difficult to put those on the table, but that is, of course, the 'easy' solution. We think we have to reduce our footprint and what remains then, well, we will not buy woods in Russia, we will plant trees in Belgium … . (Company M)

Although these companies still make conscious decisions, normative pressures, set limits on their instrumental behaviour (Bebbington et al., 2009; Scott, 2008); since they 'implicitly integrate this [planet, profit, people] in each decision we take; if something is not allowed in the light of one of those perspectives, we simply don't do it' (Company L).

These companies clearly demonstrate their efforts at improving their CSR performance in their annual report. This is in line with the findings of Husillos-Carqués et al. (2010), which indicate that adherence to CSR values enables companies to initiate CSR reporting. These companies use CSR rhetoric (annual report, but also leaflets and advertisements) to accommodate normative pressures concerning CSR behaviour. The fact that company L states that 'in the long run, part of the account you give in the annual report, forms your license to operate', underlines this view. These companies clearly indicate that they benefit from communicating their CSR approach. Indeed, CSR reporting is considered as a part of their 'branding' as a good CSR performer.

> So If I understand it correctly, you benefit from communicating these issues? – Of course, of course, let us say that we spend a lot of effort and money on it; thus, as such, if it fits in the policy of the company to say, look that is what we stand for, what is sustainable management. (Company L)

> Only a few shareholders have a problem with this kind of initiatives; I would say private equity companies sometimes question these practices, but then you say, it is part of my vision; it is part of our brand; and it is in the scope of our brand, that we want to do it. (Company M)

In both companies, the CEOs are considered as 'the' drivers behind CSR practices, due to their personal commitment and proactive attitude to CSR (see also Husillos-Carqués et al., 2010). This is in line with Campbell (2007) who argues that the world views of corporate managers are important determinants of how they run their business. Previous research already indicate the importance of the CEO (see e.g. Bebbington et al., 2009 and Spence and Gray, 2007).

> The ecological awareness has grown a lot, and our CEO is the driving force behind this growth …. The foundation arose from an initiative from our CEO. In 2005, he refused his bonus. So, it started from the social engagement of the CEO who gave his bonus to the foundation. (Company M)

Some interviewees even referred to the CEO of company L to explain why this company is really devoted to their CSR policy. Remarkably, although one interviewee considered CSR reporting as a fad, he could appreciate the CSR information provided by Company L, since 'they were one of the first to start with that, and environmentally consciousness, well they are already ten years focusing on that, but, in other companies, it is rather artificial' (Company B).

Furthermore, both organizations conform or will conform to some CSR norms established by referential bodies. Company L, for instance, subscribes to the retailers environmental action program, while Company M currently tries to conform to the EIRIS (Ethical Investment Research Service) guidelines. As a response to the normative institutional pressures, these companies voluntarily seek for some approval of an authorizing agent as an external symbol of their legitimacy (Scott, 1987). This might lead to the initiation of CSR reporting or improve the current reporting practice, since some referential bodies (like EIRIS) use the annual reports to rate companies' CSR performance.

> I know the annual report is frequently used to get scores, and, therefore we want to put it into the annual report. That is the linkage with the annual report, but it is not only to put it in the annual report, it is because we actually manage it this way. It is difficult to elaborate on something that you have nothing to say on. (Company M)

Company G also subscribed to a regional sustainability charter because (i) they want to manage the company in a sustainable way 'since as a vegetable handler, we also depend on the environment' and (ii) it helps them to report. Therefore, in this company, the subscription helps to provide an answer to coercive pressures.

### *Mimetic pressures*

Similar to previous studies (see e.g. Bebbington et al., 2009 and Spence and Gray, 2007), some interviewees did mention mimetic pressures. Remarkably, these pressures were mostly directly related to CSR reporting instead of to CSR practices. Moreover, interviewees stressed that they not only look at their peers when they take the decision to initiate CSR reporting, but that they also constantly benchmark their CSR reporting against the reporting of their peers. This clearly illustrates that these companies prefer to ‘fit in’ and to do what is shaped as ’normal’ (see also Bebbington et al., 2009). The fear to being the first to report on CSR is notable and underlines the desire to avoid appearing deviant (Greenwood et al., 2008).

> Because we are one of the only companies [in this business] in Belgium, we look at foreign companies. Yeah, we look at Norwegian companies, at foreign peers. Especially, we look at what the Norwegian companies are doing, and then we see that the environmental chapters are really important. Thus, then we will have a look at it, because, we will not reinvent the wheel. (…) You come up with a theme and then you check, whether it is also going on inside other companies. We do not want to be a rara avis; we do not want to be more Catholic than the Pope, of course. We will look around and check whether it is really topical. (Company I)

> Why we started to report on it [CSR]? Well, I think, that is a bit the in house policy, we do not want to be more Catholic than the Pope, we will do nothing that has no added value, (…), in other words, what are the others doing, what is the mean, yeah we are not a worldwide player, so we do not have to publish books, there is no sense in doing that. Doing less than the minimum - that is no good - because then you do not take yourself seriously. (Company K)

The following quotes clearly illustrate that there is a ritual aspect involved in mimicking CSR reporting, since interviewees indicate that companies imitate to enhance their legitimacy or to demonstrate they are at least trying to improve their CSR performance (see DiMaggio and Powell, 1983).

> At a certain moment, we said ‘we are more and more, look, the annual report is printed on recycled paper’, such things. I do not remember where exactly, but it was in there, all such things were included. If someone reads it, then, you can at least say we are busy with it. (Company J)

> Everywhere you look, we also let check what is going on in the market? Which themes are of interest to the people? And then, environment, everybody [companies] speaks

> about it and therefore we want to seize it to demonstrate that we are busy with it, we do know that we have polluting vessels - that is why, in the technical part, we stress that we place particle filters and do this and that … . (Company I)

Companies I, J and K also indicated that they include CSR in the annual report because ‘it looks positive in the market’; again, this illustrates that pressures are leveraged by the perception of commercial advantages. Remarkably, the companies that indicate that they mimic the CSR reporting practices of other companies are all located in environmentally sensitive industries. This might indicate that being part of an environmentally sensitive industry brings along a lot of uncertainty, which leads companies to mimic each other (DiMaggio and Powell, 1983). However, there is one exception: Company A. Although Company A is located in the same industry (even originating from the same company) as Company I, Company A mentions that, in contrast to other companies, they do not provide CSR information. This indicates that they are aware of the trend. When probed to explain why they do not follow the trend yet they note that they are more into ‘pour vivre heureux, vivons cachés’. This attitude towards reporting might explain why they are less susceptible for and do not respond to mimetic pressures regarding CSR reporting. Again, this points to the existence of an ‘institutional isolating mechanism’, which makes the initiation of CSR reporting in the near future highly unlikely. Remarkably, this interviewee also mentioned that he saw no direct benefits from reporting, ‘I do not think that we would have a customer more or less because of that, and a shareholder more or less does not keep us awake at night’. This indicates that the responsiveness to internal institutional pressures may decline as economic reasons to report increase (see Oliver, 1991).

Company D which currently discloses no CSR information declared that they might do it in the future because their peers are doing it. Remarkably, although they indicated in an earlier annual report that they would start to disclose CSR information, they never did it. The quote below indicates that it is more likely that this company initiates CSR reporting than real CSR practices.

> I think we once said, I do not remember in which annual report, but that we published or said once that we would work on that [separate CSR report] in the future, but we never did it. Social responsibility, is not really our, I think it is a full time job, mmm but it is something which we might think to include in the future because many of our peers do it. (Company D)

Besides normative, respectively coercive pressures, Company M and Company N also felt mimetic pressures. Remarkably, is that while the other organizations mainly situate these pressures on the CSR reporting level, Company M and Company N situate it both on the CSR reporting *and* the CSR performance level. Similar to the findings of Bebbington et al. (2009), some companies, thus, pursue a CSR differentiation strategy in order to fit in. In such circumstances, companies copy not only the CSR policies from their peers, but also the reporting practices. These companies do not only look at their peers, but also at what ‘other’ companies are doing. Since the interviewee of Company M indicates that they seek to act in ways that are deemed appropriate by other managers, the quotation below, reflects a combination of a normative and a mimetic pressure (Campbell, 2007).

> First we smiled when the CEO of Company L started with his wind farms, then we thought if this CEO starts with wind energy, there must be something going on there. This man may have a very important social mission, which is also, in the end to make money, and, therefore, we started to look at it. If you see such things happen around you, then you have to do something, that is what you are paid for, that is management, and these things do not have to occur in your own branch, of course we look predominantly at our own industry, but also at what happens ‘outside’, that is what we are paid for, that is management, otherwise we would be paid too much. (Company M).
>
> Your peers have a separate social report? – Yeah, but it is not because they decide to do such things that we automatically find that we should copy it. The HR department has raised no such questions, so far. However, let us say, that we look at that dimension whether we will write a separate report on it, we will see. What I know for sure is that we invest more money into it than they are, at least according to their report. I think that is more important than the report as such. (Company M)

In line with Bebbington et al. (2009), the above paragraphs indicate that the interplay between commercial considerations and the institutional pressures related to CSR behaviour or to CSR reporting initiate the decision to provide CSR information in the annual report. Three out of five non-disclosing companies also report one or more institutional pressures. Two companies indicated that these pressures did not initiate CSR reporting because this would be in contrast to their conservative reporting culture (Companies A and B). The narratives, however, indicate that the strength of the institutional isolating mechanism might decline, if the economic benefits from reporting increase. Company D admits that they do not report because they have not yet initiated CSR practices. The non-initiation of the practices is explained by (i) the lack of personnel responsible for these practices, which is linked to the size of the business and (ii) the fact that they are not located in an environmental sensitive industry – i.e. that the mimetic pressures are not so strong. The remaining companies do not report considerable institutional pressures. When probed, both interviewees indicate that their small size and their industry (i.e. non-sensitive) protects them from such pressures. This is in line with Patten (1991; 2002) who argues that size and membership of a sensitive industry, influence political visibility, and as such, public pressure.

### *4.3. Decisions related to the extent and the content of CSR reporting*

#### *(Non) disclosure of items*

The narratives indicate that companies that feel a *coercive* pressure are more likely to respond to this pressure if it originates from a ‘relevant public’ (Lindblom, 1993; Neu et al., 1998). Although Company H had been attacked several times by peace activists concerning a specific issue, the company has decided to disclose no information on this topic since ‘the group is too small, with all respect, but the Flemish peace activists only represent one thousandth of the people you reach with the annual report, you will not spend a page on something nobody is interested in’ (Company H). On the other hand, all companies that felt some pressures from their B2B customers regarding green or social issues; all reported on those specific issues in their annual report. This indicates that the annual report only elaborates on pressures originating from ‘relevant publics’ (Lindblom, 1993; Neu et al., 1998; Oliver, 1991). Moreover, accordingly to the source of the coercive pressure, companies will report with more or less elaboration. For instance, companies that feel direct pressure from B2B customers (only) provide information on the topics these business customers find important to ‘give them the impression that we are working really hard on it’ (Company G). The fact that all these companies have a level of comprehensive reporting of zero (see Table 1), reflects that these companies fail to disclose vision and goals, management approach and performance indicators information for at least one disclosed item (see Study 1). This might indicate that these companies use the concealment tactic (see Oliver, 1991), which coincides with the one of Lindblom’s (1993) legitimacy strategies, i.e. attempt to change the perceptions of the external parties, while continuing the detrimental activities. Remarkably, the CSR reporting is much more detailed in the company in which the coercive pressure partially originates from shareholder and investment funds. Since investment funds look at the annual report to judge the CSR performance and the company receives detailed questionnaires on various topics, the company decided to follow the GRI guidelines.

Companies in which CSR reporting predominantly originates from more *normative* pressures will typically report on a much broader range of CSR issues; these companies typically also have a positive attitude towards reporting, i.e. ‘Say what you do, do what you say’ (Company L). These companies disclose more detailed and more quantitative information, and as such score high on the level of comprehensive reporting.

In other cases, *mimetic* pressures formed the main driver of CSR reporting. These companies look at what others are reporting in order to determine both the topics on which they report and the extent of reporting.

> You have to do something that matches your size. So, you will look at the others and benchmark. So, she [predecessor] will have seen that they were writing something about environment, so she has written something about environment, and they will have

> written something about employees and their training, so we will also make some social report. (Company K)

As mentioned in the previous section, the companies - which mainly indicated mimetic pressures - were all located in more environmentally sensitive industries. Companies in such industries might be more uncertain about social expectations and therefore might be more likely to look at their peers and to try to make their social and environmental reporting as similar as possible. The fact that an interviewee asked ‘It [environmental reporting] is not more striking than in other reports, isn’t it?’ (Company I) underlines this view. These companies do not obtain the highest nor the lowest disclosure level scores. The results for the level of comprehensive reporting are more mixed, two companies obtain a high score, while one companies fails to disclose comprehensively on at least one item.

## 5. Discussion and Conclusions

This study examines managerial perceptions of the motives behind CSR reporting presence *and* absence in Belgian listed companies. Focusing on the reasons behind CSR reporting absence enables us to learn more about the motivations behind CSR reporting presence (Choudhury, 1988). Adams and Larrinaga-González (2007) argue that engagement-based research has the potential to identify which factors drive or prevent changes towards an accountable form of CSR reporting. Therefore, this study uses semi-structured interviews to illuminate the reasons for CSR reporting presence and absence. Although traditionally, explanations of why companies disclose CSR information are informed by stakeholder or legitimacy theory, the narratives are analyzed using a neo-institutional theory lens. Earlier studies (e.g. Adams, 2002; Husillos-Carqués et al., 2010) have illustrated that the internal organizational context as well as the external context influences the CSR reporting practice. While stakeholder theory and legitimacy theory mainly explain CSR reporting practices using the firm’s social context, neo-institutional theory takes into account both the internal and external contextual factors underlying CSR disclosure decisions (Oliver, 1997; Combs et al., in press).

The narratives indicate that various *perceived* coercive, normative and mimetic pressures are simultaneously at work to further the adoption of CSR reporting, and as such the institutionalization of the CSR reporting practice. Institutional pressures relating to CSR performance as well as to CSR reporting, might lead to the initiation of CSR reporting. This finding is similar to Bebbington et al. (2009), who conducted an interview-based study amongst members of the New Zealand Business Council for Sustainable Development. Normative and mimetic mechanisms involve taken-for-granted assumptions rather than purely strategic choices (DiMaggio and Powell, 1983). This indicates why neo-institutional theory is broader than the legitimacy perspective commonly used in the CSR reporting literature (see Deegan, 2002; 2007).

The analysis indicates that like in legitimacy theory (see Deegan, 2007; Spence et al., 2010) the ‘perceptions’ of external pressures are important. Indeed, three non-reporting companies indicate that their small size and their location in a non-sensitive industry protect them from severe external pressures. This is in line with Patten (1991; 2002) who argues that size and membership of a sensitive industry, influence the company’s visibility, and as such, public pressure. Furthermore, and in line with e.g. DiMaggio and Powell (1983) and Oliver (1991), the narratives indicate that companies only include CSR information in the annual report if the external pressures originate from ‘relevant’ stakeholders. Like stakeholder theory (see Deegan, 2007; Gray et al., 1996; 2010), neo-institutional theory thus embraces the difference in power between various stakeholders.

By illustrating that the internal organizational dynamics, can both further or hinder CSR reporting, the study confirms the influence of the internal organizational context on the reporting practices demonstrated in earlier studies (see e.g. Adams, 2002; Bebbington et al., 2009, Husillos-Carqués et al., 2010). The study contributes to the CSR reporting literature by demonstrating the existence of an institutional isolating mechanism (see Oliver, 1997) that might hinder CSR reporting. An institutional isolating mechanism reflects a reluctance to imitate what is experienced as incompatible with a firm's cultural or political context (see Oliver, 1997, p. 704). The study illustrates that a conservative attitude towards reporting functions as an institutional isolating mechanism in some sample companies. This negative attitude might originate from the CEO, who is convinced of the French telling, 'pour vivre heureux, vivons cachés'. As such, the attitude of the company, and in particular of the CEO, towards reporting hinders the initiation of CSR reporting. In contrast to their reporting colleagues, these companies see no relevant annual report audiences and do not consider the report as an important company brochure or marketing tool. Furthermore, the study indicates that small and young companies may also lack a real reporting culture/tradition, which might explain why these companies do not include much voluntary information, such as CSR disclosures.

The internal organizational dynamics can also further the adoption of CSR reporting. Indeed, when the perceived institutional pressures can be related to some business challenge or business case, CSR reporting is initiated. Similar to Bebbington et al. (2009), we can conclude that perceived commercial benefits leverage the institutional pressures for initiating CSR reporting.

Company and industry characteristics appear to be related to the dominant type of institutional pressure felt by a specific organization. B2B companies, for instance, report some pressure from their B2B customers to adopt certain CSR practices. To answer these pressures, these companies not only adopt those 'required' CSR practices but also report on this to show that they are taking the necessary steps. The results indicate, however, that the position in the supply chain matters. Indeed, companies that provide some goods that are visible for the endconsumer (e.g. food, packaging) experience B2B pressures, while shipping companies do not. Environmentally sensitive companies indicate that they mimic the CSR reporting practices of their peers. This might indicate that being part of an environmentally sensitive industry brings along a lot of uncertainty, which leads companies to mimic each other (DiMaggio and Powell, 1983; Oliver, 1991). Furthermore, ownership structure appears to play an important role in the perception and accommodation of institutional pressures. The interviewees, for instance, explain the conservative attitudes towards reporting by referring to the dominant family shareholder. On the other hand, the findings also indicate that a CSR-minded family can further both the CSR performance and the CSR reporting. The sample company, which is recognized as the best CSR performer by the other companies, is indeed also a family firm (i.e., Company L). These findings might explain why quantitative studies often find no relation between ownership structure and CSR reporting (e.g., Aerts and Cormier, 2008; Study 2).

The CEO plays a significant role in the initiation of CSR practices and reporting. The attitude of the CEO may not only provide the basis for an institutional isolating mechanism, he/she also may determine whether institutional pressures are perceived. The narratives indicate that normative pressures are mostly perceived by CEOs – who are characterized by a proactive attitude and a personal commitment to CSR (see also Husillos-Carqués et al., 2010). This demonstrates once more, the importance of the internal context. Given that other studies also indicate that the CEO might influence CSR reporting practices (e.g. Bebbington et al., 2009; Spence and Gray, 2007), future research should focus more on the individual level of the institutional context (see Oliver, 1997).

In contrast to Bebbington et al. (2009), the analysis illustrates that the external institutional pressures not only influence the decision to disclose, but also the extent and completeness of CSR reporting. When coercive pressures inform the decision to report, the reporting practices depend on the source of the pressure. Coercive pressures originating from

B2B customers lead companies to report on the ‘required’ CSR practices in such a way that it give them the ‘illusion’ that they are working hard on it. While B2B pressures might positively influence the decision to disclose, they might, thus, be negatively related to the disclosure level. In the company, where the coercive pressures to adopt CSR practices and to report on CSR performance mainly originate from the shareholders, the CSR reporting is much more extensive than in the former firms since this company adopts the GRI reporting guidelines. Indeed, investment funds and investment consultants look at the annual report to judge the CSR performance and following the GRI guidelines leads to a higher score. These coercive pressures might thus positively influence the decision to disclose and the disclosure level. Companies that feel some *normative* pressure to introduce CSR practices mostly implement various CSR practices and use the annual report to communicate their vision and policy regarding CSR. Since providing CSR information in the annual report fits into the branding of the company as an excellent CSR performer, the company elaborates in a relative detailed way on a variety of topics. Normative pressures might thus positively influence both the decision to disclose and the disclosure level. Finally, the CSR reporting of companies, which mention only *mimetic* pressures regarding CSR reporting, is characterized by its ‘averageness’. While their influence on the disclosure level is, thus, uncertain, mimetic pressures are expected to positively influence the decision to disclose.

This study confirms that an assemblage of external and internal factors influences CSR reporting (see e.g. Adams, 2002; Bebbington et al. 2009; Husillos-Carqués et al., 2010). The neo-institutional framework proofed to be a useful lens for analyzing the practice of CSR reporting, since this theory provides a framework in which both the adoption of CSR reporting practice and the resistance to the initiation of such practices can be studied. Therefore, neo-institutional theory offers a more straightforward explanation of non-disclosure than stakeholder or legitimacy theory. Moreover, the study indicates that neo-institutional theory is richer than stakeholder and legitimacy theory, since it embraces both perspectives and extends beyond those perspectives. Furthermore, a neo-institutional approach opens the windows to theorization that is taking place in management studies (see Adams and Larrinaga, 2007; Spence et al., 2010). As such, institutional theory promises to be a fruitful avenue for future research (see also Adams and Larrinaga-González; Gray et al., 2010, Larrinaga-González, 2007).

The insights from this study shed some new light on the initiation and nature of CSR reporting and have some important implications for any attempt to develop CSR reporting in Belgium in the near future. The findings presented here suggest that CSR is unlikely to voluntary evolve in companies where ‘institutional isolating mechanisms’ exists. Furthermore, the results indicate that companies present a ‘very good’ picture of their CSR practices to create some ‘illusion’ about their CSR performance. This reveals that although organizations report voluntarily on CSR reporting, they still prefer to disclose only the information that ‘looks good in the market’. It remains thus highly questionable whether firms are willing to accept the degree of ‘hurt’ necessary to produce ‘truly’ accountable social accounts (see Owen et al., 2001; Gray, 2001), or, in other words, whether corporations are capable of voluntarily discharging an accountability that could honestly expose their social and environmental impacts (Tinker et al., 1991). This suggests that some form of regulation might be necessary in order to initiate CSR reporting and to promote more extensive and better quality reporting in the interest of the wider society as opposed to corporate (private) interests. Indeed, it is highly unlikely that companies will voluntarily report on their ‘bad’ CSR performance, in a document that they consider as an important marketing tool.

This study reports on the perceptions of 16 managers and, therefore, any conclusions drawn can only be tentative. In the context of neo-institutional theory, a worthwhile avenue for future research would be to conduct a similar type of research on a longitudinal basis to see if the external institutional pressures can ‘concur’ the institutional isolating mechanisms. Furthermore, it would be interesting to unravel the domino effect that this paper identified between B2B customers and their suppliers. A third avenue for further research would be an in-depth case study in a company in which internal context is changing (for instance a change in CEOs), in order to the influence of a change in organizational dynamics on the CSR reporting process.

## Appendix 1: Semi-structured interview guide

(1) Collect some non-threatening background information; engage in general conversation about interviewee's function. Explain the nature of the research and ask if any clarification is required.
(2) Discuss the making of the annual report in your company.
    a. Who is involved?
        - Departments: role
        - CEO/CFO/Board of directors: role/view/attitude
    b. Is it a formal or informal process?
    c. Who decides which information is included and how?
    d. Attitude of company/interviewee towards annual report?
    e. Extent to which organizations study the annual reports of other companies?
(3) Indicate the audiences of the annual report.
(4) Discuss the importance of the inclusion of voluntary information into the annual report.
(5) Why do other companies include voluntary CSR information into the annual report?
(6) Why do you (not) include voluntary CSR information into the annual report?
    a. Who is involved?
        - CEO: role/view/attitude
    b. Who decides which information is included and how?
       Potential probes:
        - Do you undertake CSR practices and why?
        - Benefits of reporting?
        - Costs of reporting?
        - Guidelines on CSR reporting?
        - Extent to which organizations study CSR information in the annual reports / stand-alone reports of other companies?
        - Experience some pressures to report/adopt CSR practices?
        - Views on CSR reporting in the future?

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**Table 1: Voluntary CSR disclosure in interviewees' annual reports**

| Company | Disclosure level[a] | Level of comprehensive reporting | Industry | Function interviewee |
|---|---|---|---|---|
| Non-disclosing companies | | | | |
| Company A | / | / | Shipping | Financial controller |
| Company B | / | / | Food & Beverages | CFO |
| Company C | / | / | Electronics & ICT | CFO |
| Company D | / | / | Retail & Distribution | Investor Relations Officer |
| Company E | / | / | Real estate | CEO |
| Disclosing companies | | | | |
| Company F | 15 | 0 | Electronics & ICT | Vice President Finance |
| Company G | 17 | 0 | Food & Beverages | CFO and Health and Safety Manager |
| Company H | 23 | 0 | Electronics & ICT | President Corporate Communication, Inverstor Relations and Corporate Marketing |
| Company I | 30 | 0.20 | Shipping | Corporate Administration Officer |
| Company J | 31 | 0.20 | Manufacturing | CFO |
| Company K | 34 | 0 | Manufacturer | Investor Relations Manager, Head Legal Department and Head Corporate Communications |
| Company L | 46 | 0.27 | Retail & Distribution | CFO |
| Company M | 50 | 0.21 | Telecommunication | CFO |
| Company N | 51 | 0.20 | Real estate | CFO and External Communications and Investor Relations Manager |

Notes:

[a]: *Disclosure level* captures both the breadth and depth of the CSR disclosures. Breadth is measured by the number of disclosed GRI items, while depth refers to the information types that are disclosed for each item: vision & goals, management approach and performance indicators. Prior studies (e.g., Wiseman, 1982; Cormier and Magnan, 2003; Al-Tuwaijri et al., 2004; Cormier et al., 2005; Aerts et al., 2008; Aerts and Cormier, 2009) consider quantitative disclosures as more objective and informative than their qualitative counterparts. This is reflected in the weighting scheme of these studies since a higher weight is assigned to quantitative disclosures compared to general qualitative disclosures. In line with these studies, the following weighting scheme is applied to the different information types: (+3) for performance indicators; (+2) for management approach; and (+1) for vision and goals. Based on both dimensions, a weighted disclosure index is constructed.

[b]: Only the most important institutional pressure is indicated.

## Figure 1 Path of post-interview data analysis

(Adapted from O'Dwyer, 2004 and Spence and Gray, 2007)

**Data Reduction 1: 'General overview'**
- Listen to separate tape recordings while transcribing
- Revisit interview notes
- Reflections recorded in research diary:
  Immediately after interviews and subsequently

**Data Reduction 2: 'Recording initial themes'**
- Initial transcript review [with tape running]
- Record emerging themes on transcripts
- Constantly record reflections in research diary
- On second reading of interview scripts [with tape running], record emerging themes using Atlas-ti software
- Develop intuitive coding scheme iteratively and reflexively
- Write memos using Atlas-ti software
- New thoughts recorded in journal
- After third reading, prepare 'big picture' summaries
- If necessary, additional telephone conversations, to obtain the missing information

**Data Reduction 3: 'Reflection phase'**
- Revisit and re-read transcripts and interview summaries
- Patterns emerging?
- Search for extra open codes
- Search for evidence challenging initial coding
- Prepare rough initial matrices based on open codes formulated, matrices noted in research diary

**Data Display**
- Preparations of mind maps
- Preparation of MS Word open code matrices
- Collapse open into core codes
- Reformulate open code matrices according to core codes

**Data Interpretation 1: 'Constructing the meta-story'**
- Conduct detailed examination of matrices and mind maps
- Identify key patterns in evidence
- Update and review research diary notes
- Question if evidence can be organized differently; make changes
- Review: matrices, research diary, notes, mind maps, summaries, interview notes, memos

**Data Interpretation 2: 'Big Picture outline'**
- Create 'big picture' story of interviews in mind map
- Collate outlying perspectives
  ⇨ Use to challenge the big picture story
- Review: matrices, research diary, notes, mind maps, summaries, interview notes, memos, transcript quotations

**Data Interpretation 3: 'Theorising the Big Picture'**
- Interpret descriptive evidence by using the neo-institutional theory
- Beware of selectivity and highlight
- Interplay between meta-story and theory