LEGITIMACY THEORY: A STORY OF REPORTING SOCIAL AND ENVIRONMENTAL MATTERS WITHIN THE AUSTRALIAN FOOD AND BEVERAGE INDUSTRY

Professor James Guthrie*
Discipline of Accounting, The University of Sydney

Associate Professor Suresh Cuganesan
Macquarie Graduate School of Management

and

Leanne Ward
Coca-cola Amatil

* Corresponding author
Professor James Guthrie
Discipline of Accounting
The University of Sydney
Economics and Business Building (H69)
The University of Sydney 2006
t. + 61 2 9036 6236
e. j.guthrie@econ.usyd.edu.au

ABSTRACT
This paper utilises legitimacy theory to explore whether a company's level of profile is related to the company's choice of legitimation strategies.

Prior applications of legitimacy theory are extended to the examination of CSR disclosure by focusing on a single industry and customising the disclosure instrument to include industry-specific issues. The paper examines both web-based and annual report disclosures in acknowledgement that the internet has revolutionised how companies disseminate information to their stakeholders.

The paper is based on two propositions. The first is that companies considered tobe more 'high profile' than others are likely to disclose more CSR information than those considered to be lower in profile. This was supported by the research data. The findings indicated that the level of company profile might influence disclosure levels.

The second is that companies with high profiles are likely to employ more disclosure strategies relating to changing public perceptions and expectations and deflecting attention. This was also supported by the research data.

The paper concludes that CSR is likely to be a feature of contemporary corporate reporting. This research provides some more evidence about why corporations voluntarily disclose. However, it also highlights possible policy implications and several possible future research issues.

Keywords: legitimacy theory; corporate social responsibility; disclosure; voluntary disclosure

1. INTRODUCTION

Concerns about corporate social responsibility (CSR) increasingly permeate the socio-economic landscape. Government and regulatory debate continue about legislative changes and whether 'triple-bottom' line reporting should be mandated.[1] In recent times, CSR and sustainability rating agencies and stock market indices have emerged and gathered popularity. Concurrently, CSR reporting activity has grown significantly along with criticisms about their substance (Milne et al., 2006). Given the significance of the CSR debate, the equivocal results of prior academic research about the factors that influence CSR disclosure (Campbell, Craven and Shrives, 2003; Cho and Patten, in press) are both problematic and necessitate further empirical investigation.

We propose to extend prior applications of legitimacy theory to the examination of CSR disclosure by focusing on a single industry and customising the disclosure instrument to include industry-specific issues. This is done in recognition of the need to evaluate CSR in light of industry specificity (GRI, 2002; 2006). Here, we focus on the Australian Food and Beverage Industry which poses significant CSR risks to the Australian environment, society and economy (Australian Food and Grocery Annual Report, 2004) and which is yet to be empirically examined from a CSR perspective.

Furthermore, we examine both web-based and annual report disclosures in acknowledgement that the internet has revolutionised how companies disseminate information to their stakeholders (Adams, 1999; Frost et al., 2005). Despite, growing evidence that alternative reporting media, such as corporate websites and corporate special reports, may be better sources of information on extended performance (Frost et al., 2005; Unermann et al., 2006), many examinations of CSR disclosure continue to focus on those contained in annual reports only .

Based on a review of the extant literature, we propose that companies which are likely to experience more CSR costs (hereafter 'high CSR profile') are likely to engage in a greater level of CSR disclosure than those companies that are less likely to experience CSR costs (hereafter 'low CSR profile') companies. Furthermore, we utilise Gray et al.'s (1995) legitimacy strategies to propose that high CSR profile companies are more likely to employ strategies of disclosure relating to changing public perception and expectations and deflecting attention vis-à-vis lower profile companies. Both propositions are supported by our empirical investigation.

The remainder of this paper is structured as follows. In the following section, the relevant literature is reviewed and two research propositions are established. In section three, the

[1] In Australia, recent/current inquiries include the Australian Government Corporations and Markets Advisory Committee report titled 'The Social Responsibility of Corporations' (CAMAC, 2006), the Australian Parliamentary Joint Committee on Corporations and Financial Services report titled "Corporate Responsibility: Managing Risk and Creating Value" (APJCCFS, 2006) and the Australian Stock Exchange Corporate Governance Councils 2007 review of its Principles of Good Corporate Governance and Best Practice Recommendations.

research method by which the organisations are selected and data collected is outlined. Justifications for selection of data are provided and research processes for testing the two propositions established. In section four, the results are presented in terms of the two propositions and are fully discussed. Finally, in section five, the conclusions, limitations, future research and policy implications are offered.

2. LEGITIMACY THEORY AND CSR DISCLOSURE

While there is no generally accepted theory for explaining CSR disclosure practices, recent research in the CSR literature has primarily relied on legitimacy theory (Deegan 2002, p. 285). Indeed, "it is probable that legitimacy theory is the most widely used theory to explain environmental and social disclosures" (Campbell, Craven and Shrives, 2003, p. 559) while, according to Gray, Kouhy and Lavers (1995), legitimacy theory has an advantage over other theories in that it provides disclosing strategies that organisations may adopt to legitimate their existence that may be empirically tested. For these reasons, this paper adopts legitimacy theory as the theoretical perspective for the purpose of explaining variations in CSR within the AFBI.

Legitimacy theory is derived from the concept of organisational legitimacy, which has been defined by Dowling and Pfeffer (1975, p. 122) as:

> … a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy.

Legitimacy theory posits that organisations continually seek to ensure that they operate within the bounds and norms of their respective societies. In adopting a legitimacy theory perspective, a company would voluntarily report on activities if management perceived that those activities were expected by the communities in which it operates (Deegan 2002; Deegan, Rankin and Voght 2000; Cormier and Gordon 2001).

Legitimacy theory relies on the notion that there is a 'social contract' between a company and the society in which it operates (Deegan 2000; Deegan 2002; Mathew 1993; Patten 1991; 1992). Shocker and Sethi (1973, p. 67) provide an overview of the concept of a social contract:

> Any social institution – and business is no exception – operates in society via a social contract, expressed or implied, whereby its survival and growth are based on:
> (1) the delivery of some socially desirable ends to society in general; and
> (2) the distribution of economic, social or political benefits to groups from which it derives its power.

The social contract is used to represent the myriad expectations society has about how an organisation should conduct its operations (Deegan 2000; Mathew 1993). Specifically, it is considered that an organisation's survival will be threatened if society perceives that the organisation has breached its social contract (Deegan 2002). Where society is not satisfied that the organisation is operating in a legitimate manner, society will revoke the organisation's 'contract' to continue its operations (Deegan and Rankin 1997). Deegan (2002a) provides examples of how this may be done: consumers may reduce the demand for the organisation's products; factory suppliers may eliminate the supply of labour and financial capital to the business; or consitituents may lobby government for increased taxes, fines or laws to prohibit those actions which do not conform with the expectations of the community.

The social contract is difficult to define because it can be explicit or implicit and not permanent. Therefore, the 'terms' of the social contract cannot be known with any precision, and different managers will have different perceptions about these various terms (Deegan 2000; O'Donovan 2002). Gray, Owen and Adams (1996) indicate that legal requirements provide the explicit terms of the contract, while other non-legislated societal expectations embody the implicit terms of the contract. It is in relation to the implicit terms of the contract that managers' perceptions may vary greatly (Deegan 2002).

Additionally, societal expectations are not permanent, but rather change over time; hence, the conditions under the social contract on which social approval is conferred, change over time. This requires organisations to be responsive to the environment in which they operate (Deegan 2000, p. 253). Because community expectations can change over time, the organisation needs to make disclosures to show that it is also changing. Given the impacts of perceived breaches of the social contract for organisational survival, it is important to examine the remedial actions that organisations might engage in. To this end, legitimacy theory offers the notions 'legitimacy gap' and 'legitimacy strategies' which are discussed separately below.

Lindblom (1994) refers to a 'legitimacy gap', that is, the difference between the expectations of the 'relevant publics' relating to how an organisation *should act*, and how the organisation *does act*. Lindblom suggests that when a legitimacy gap occurs, there is a threat to the entity's legitimacy and when a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy.

Dowling and Pfeffer (1975) indicate that legitimacy is a resource on which an organisation is dependent for survival. Deegan (2002a) provides that, consistent with resource dependence theory (Pfeffer and Salancik 1978), legitimacy theory suggests that whenever managers consider the supply of the particular resource is vital to organisational survival, they will pursue strategies to ensure the continued supply of that resource. Such strategies may include targeted disclosures, or perhaps controlling or collaborating with other parties who, in themselves, are considered to be legitimate (Deegan 2002; Fiedler and Deegan 2002).

Where managers perceive that the organisation's operations are not commensurate with the 'social contract' then, pursuant to legitimacy theory, organisations may take remedial action to become legitimate (Dowling and Pfeffer 1975). Because the theory is based on perceptions, for remedial action to have an effect on external parties, it must be accompanied by publicised disclosure (Cormier and Gordon 2001). Hence the importance of publicised corporate disclosures, such as those made within annual reports and other publicly released documents (Deegan 2002; Deegan, Rankin and Voght 2000; Cormier and Gordon 2001).

Several studies have directly or indirectly examined for legitimacy theory and its applicability to the CSR disclosure practices of companies (for example, Adams, Hill and Roberts 1998; Campbell, Craven and Shrives 2003; Deegan, Rankin and Voght 2000; Deegan et al. 2002; Deegan and Gordon 1996; Deegan and Rankin 1996; Guthrie and Parker 1989; Gray, Kouhy and Lavers 1995; O'Donovan 1999; Patten 1991; 1992; Walden and Schwartz 1997; Wilmhurst and Frost 2000). The results of these studies generally tend to acknowledge the applicability of legitimacy theory to understanding voluntary CSR disclosure practices of companies.

Further, a number of studies have identified the nature of a company's industry as a factor affecting CSR disclosure. Prior studies in both literatures (for example, Bozzolan, Favotto and Ricceri 2003; Patten 1991; Roberts 1992) have found industry type influences the amount of voluntary disclosure. It has been argued that this may be because companies in different industries have differing motivations towards legitimation owing to the different perceptions that society has with regard to their activities, and how the management of the companies themselves perceive opinions about them (Campbell, Craven and Shrives 2003). Two studies, by Roberts (1992) and Campbell, Craven and Shrives (2003), that attempted to examine for variations in CSR practices between industries with different profiles are discussed below.

Roberts (1992) tested for industry effects by classifying industries into two groups – high profile industries or low profile industries. He defined high profile industries as those with consumer visibility, a high level of political risk, or concentrated intense competition. A positive relationship was found between industry type and level of disclosure and Roberts (1992) concluded that corporations with a high profile are more likely to disclose social responsibility activities.

Campbell, Craven and Shrives (2003) examined the extent to which voluntary disclosures represent an attempt to close a perceived legitimacy gap. They contended that the level and patterns of disclosure by a company may vary depending on whether the company's main product has mainly negative connotations (that is, the organisation is, in the eyes of some constituencies, structurally illegitimate, such as tobacco companies), or whether the company's main product is an essentially desirable product which may give rise to some undesirable by-products (Campbell, Craven and Shrives 2003, p. 559). Specifically, they argued that, in the case of structurally illegitimate companies, it is likely that legitimacy can never be attained in the eyes of some constituencies and the objective cannot be to restore something they never had. In such cases, the aim of disclosure might simply be to limit damage or to convince society that they are 'not all that bad'. It is thus possible that companies repairing or maintaining legitimacy may view disclosure entirely differently from those who have to build or establish it.

Furthermore, Campbell, Craven and Shrives (2003, p. 560) established two hypotheses: (1) companies which are considered more 'sinful' than others will be expected to disclose more social information than those considered to be less 'sinful'; and (2) companies facing similar societal perceptions of 'sinfulness' should have comparable or similar patterns of social disclosure. They defined 'sinfulness' as the extent to which the company's major products would have mainly negative connotations. In order to examine these hypotheses they examined for associations between three different classifications of industries. They compared the extent of disclosure between five companies representing three FTSE sectors, selected according to an intuitive understanding of society's perceptions of the depth of unethical behaviour. They chose companies in industries that have prima facie more to justify than others and also gathered together a control group who prima facie may be considered to have less to justify. Accordingly, three groups of companies were selected depending on society's perception of their supposed depth of 'sinfulness'. The authors suggested the three sectors selected for their study were perceived differently by society in terms of their social and ethical behaviour and hence their need to disclose social information, if legitimacy theory is a partial explanation of reporting behaviour. Their findings were inconsistent with legitimacy theory and concluded that companies who are expected to disclose more (because of society's perceptions) do not always do so and companies with a lesser apparent legitimacy gap sometimes disclose more.

Hence, there is mixed evidence that companies from high profile industries will report more than those with low profiles. However, as previously noted, an important consideration in examining CSR is the need to recognise industry-specific factors and issues. Indeed, failure to do so might be one explanation for the findings of Campbell, Craven and Shrives (2003). Thus, this paper proposes to extend prior applications of legitimacy theory and the broader CSR literature by customising the CSR disclosure instrument for industry-specific issues and by examining variations in the level and type of CSR disclosures between companies within one industry[2]. This contrasts with both Roberts (1992) and Campbell, Craven and Shrives (2003) who compared disclosures between industries. Hence, a novel application of legitimacy theory is proposed in this paper.

The chosen industry for the purpose of this paper is the Australian Food and Beverage Industry (AFBI). The AFBI is chosen because it is highly significant to Australia's economy and environment, and is under increasing pressure to manage a number of contemporary SE issues such as obesity, food safety, alcohol abuse and packaging management issues. These issues are increasingly becoming concerns in Australia, with potentially serious consequences for AFBI companies (Australian Food and Grocery Annual Report, 2004). Despite the importance of these issues, however, no prior studies have specifically assessed the CSR of companies within the AFBI.

It is proposed that the sample companies within the AFBI be classified into groups depending on their level of CSR profile (as discussed in the methods section of this paper). It is expected

[2] More detailed explanation of the disclosure instrument and details of the level and type of CSR can be found in Guthrie, J. Cuganesan, S. and Ward, L. (2007), "Social and Environmental Reporting: The Australian Food and Beverage Industry", to be presented to the 30th Annual Congress of the European Accounting Association, 25-27 April, Lisbon, Portugal; Guthrie, J. Cuganesan, S. and Ward, L. (2007), "Disclosure Media for Social and Environmental Matters within the Australian Food and Beverage Industry", to be presented to the 30th Annual Congress of the European Accounting Association, 25-27 April, Lisbon, Portugal; Guthrie, J., Cuganesan, S. and Ward, L. (2006), "Reporting Social and Environmental Accountability within the Australian Food and Beverage Industry", presented to the 5th International Conference on Social and Environmental Accounting Research, 22-24th November, Wellington, New Zealand.

that corporations in the high profile group will have higher levels of disclosure. This leads to the first proposition that underpins the empirical investigation of this paper:

Proposition 1: Companies which are considered to be of 'higher CSR profile' will disclose more CSR information than those which are considered to be of 'lower CSR profile'.

The studies discussed in this section generally indicate that the level of voluntary disclosure is linked to legitimising intentions. There are various types of remedial strategies that a company may employ to obtain or maintain legitimacy. Dowling and Pfeffer (1975) have identified various remedial actions that organisations may adopt in reacting to legitimacy concerns. The actions outlined by Dowling and Pfeffer (1975, pp. 126–7) are:

> The organisation can adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy, the organisation can attempt, through communication, to alter the definition of social legitimacy so that it conforms to the organisation's present practices, output and values and the organisation can attempt through communication to become identified with symbols, values or institutions which have a strong base of legitimacy.

Gray, Kouhy and Lavers (1995) highlight that if an organisation perceives that its legitimacy is in question it can adopt a number of strategies, and identifying four courses of action that an organisation can take to obtain, or maintain legitimacy. These four strategies include:

(1) The organisation may seek to educate and inform its 'relevant publics' about (actual) changes in the organisation's performance and activities.
(2) The organisation may seek to change the perceptions of the relevant publics but not change its actual behaviour.
(3) The organisation may seek to manipulate perception by deflecting attention from the issue of concern to other related issues through an appeal to, for example, emotive symbols.
(4) The organisation may seek to change external expectations of its performance.

Gray, Kouhy and Lavers (1995, p. 54) suggest the conditions under which each of the four disclosing strategies may be used:

(1) The first strategy is chosen in response to a recognition that the 'legitimacy gap' arose from an actual failure of performance of the organisation.
(2) The second strategy is chosen as a response when the organisation sees that the legitimacy gap has arisen through misperceptions on the part of the relevant publics.
(3) The third strategy is chosen on the grounds of manipulation.
(4) The fourth strategy is chosen when the organisation considers that the relevant publics have unrealistic or 'incorrect' expectations of its responsibilities.

According to Dowling and Pfeffer (1975) and Gray, Kouhy and Lavers (1995) the public disclosure of information in such places as annual reports can be employed by an organisation to implement each of the above strategies. Which legitimation tactics and disclosure approaches are used depends on the purpose and characteristics of the response (O'Donovan 2002, pp. 350–1). Suchman (1995) contended that the choice of legitimation tactics and public disclosures an organisation makes will differ depending on whether it is trying to gain, maintain or repair legitimacy. In his paper, O'Donovan (2002) argues that maintaining legitimacy is likely to be easier than gaining or repairing it and that different organisations will have different levels of legitimacy to maintain. Supporting legitimacy theory, O'Donovan (2002) showed that the significance of the event impacts on whether managers will make a disclosure-related reaction, and disclosure reactions will differ depending on whether the action was necessary to gain, maintain or repair legitimacy.

Specifically, Gray et al.'s (1995) four strategies of legitimisation will be employed to explore whether companies within the same industry, but with different levels of profile will employ different strategies of legitimisation. However, given the limited prior research and empirical testing of their strategies, it is important to acknowledge the exploratory nature of this work. Despite this, it is possible to develop reasonable a priori expectations of how companies with different profiles will utilise different legitimisation strategies.

Specifically, it is considered that companies with higher profiles than others would have incentive to employ more strategies relating to changing public perception (Legitimacy strategy 2), deflecting attention (Legitimacy strategy 3) and changing external expectations (Legitimacy strategy 4), rather than strategies relating to changing actual behaviour (Legitimacy strategy 1). This is because a high profile company's major product is likely to have mainly negative connotations (Campbell, Craven and Shrives 2003). In other words, the company is, in the eyes of some constituencies, structurally illegitimate (Campbell, Craven and Shrives 2003) and would conceivably have more pressures to use legitimisation strategies than lower profile companies. As negative connotations are intrinsic in a high profile company's major product, it is expected that higher profile companies would find it difficult to change their actual behaviour and would find it easier to change public perception, expectation or deflect attention. This leads to the second proposition that underpins the empirical investigation of this paper:

Proposition 2: Companies which are considered to have 'higher CSR profiles' are more likely to employ strategies of disclosure focused on changing public perception, deflecting attention and changing external expectations.

The following section will briefly outline the research methods used in the study.

3. METHOD

The AFBI is defined in accordance with the Global Industry Classification Standard (GICS 2002) which includes universally accepted stock exchange sector definitions. According to the GICS (2002) the Food and Beverage industries fall within the Food, Beverage and Tobacco

Industry Group[3]. The sample consists of companies from the AFBI, which were located in the top 500 companies (ranked by market capitalisation) as reported by IBISWorld (2004)
An industry specific disclosure instrument for the AFBI was developed for this purpose. The instrument was developed using the GRI Sustainability Reporting Guidelines (GRI, 2002) as a framework which was supplemented with industry-specific items relevant to the AFBI. The industry-specific items were identified from three major sources, being:

- Publicly available reports from various AFBI associations, councils and government bodies. These included sources such as the Australian Food and Grocery Council (AFGC), the Alcohol and Other Drugs Council of Australia (AODCA), the Department of Agriculture, Fisheries and Forestry (DAFF) and New South Wales Agriculture;
- Industry-specific indicators identified by well recognised sustainability ranking organisations, for example RepuTex, and:
- Publicly available reports of companies within the food and beverage industry that have been internationally recognised for best practice in sustainability reporting.

The industry specific items identified from the three information sources are illustrated in Table 1.

Table 1: Summary of industry-specific items

[3] No tobacco companies fitted the sample criteria and hence the tobacco industry is not referred to in Table 4.2 and no further investigation or reference is made to the tobacco industry in this thesis.

Category	Element	Sub-element (where relevant)
Environment	Packaging management	
	Supply chain management of environmental issues	
Social	Animal welfare	
Product responsibility	Food safety	Product safety and quality controls on food safety
		Supply chain management and value chain
		Livestock and crop exotic diseases and pest control
	Customer health and well-being	Variety of products for consumer choice
		Healthy and low-fat product options
		Energy and nutritional labelling
		Food allergies and intolerances
		Cultural considerations
		Use of GM ingredients
		Health supplements and nutrition and benefits
		Organics
		Accurate labelling of sources of ingredients
		Use of fertilisers, chemicals and pesticides
		Low-alcohol content product options
		Appropriate labelling of alcohol products
	Responsible marketing	Responsible promotion of products, engagement in consumer education, awareness raising of potential negative impacts of products
		Signatory to codes and guidelines on responsible promotion of products

Table 1 provides the category and element for each industry specific issue. In some cases where an element was regarded to be of significant importance to the AFBI, the element was further broken down into sub-elements.

The resultant industry-specific CSR disclosure instrument was applied to the annual reports and web sites of a sample of companies within the AFBI. Nineteen companies from the AFBI were located in the top 500 companies and included two brewers, four distillers and vintners, one soft drink company, five packaged food companies and seven agricultural companies.

Prior research on CSR has mainly been limited to disclosures in the annual report. This focus has been questioned (Frost 2001), with companies now relying more on other communication media to disseminate information on CSR issues. These include discrete reports (Tilt 2001) or reporting rough the internet (Adams and Frost 2004; Frost et al. 2005). The availability and use of these other media raises questions about the importance of the annual report as the primary avenue for reporting CSR issues (Adams and Frost 2004; Frost et al. 2005; Guthrie, 2006). For these reasons, this study examines CSR disclosures using corporate web sites as well as annual reports for the sample companies. None of the companies in the sample issued discrete environmental or social reports for the reporting period examined.

Therefore, in order to assess CSR reporting, a CSR disclosure instrument was applied using content analysis to their annual reports and websites. For each company the latest annual report was collected. For companies with a 30 June financial year end date, annual reports dated 30 June 2004 were collected. In cases where companies had a financial year end date other than 30 June, the annual report for the latest reporting period for that company was selected. The sections of corporate websites relating to CSR issues were analysed during the month of November 2004. Links within the website that did not include the same web address as the company were not analysed. Annual reports that were provided online were excluded from the website analysis, thus enabling segregated data to be collected on the two discrete reporting media.

This study examined the disclosure of information using content analysis. Content analysis has been used and held to be empirically valid in the CSR literature to evaluate the extent of voluntary disclosure (Parker, 2005; Gray, Kouhy and Lavers 1995; Guthrie and Parker 1990; Hackston and Milne 1996). Content analysis is an instrument used to measure comparative positions and trends in reporting (Guthrie et al. 2004). As a technique for gathering data, it involves codifying qualitative and quantitiatve information into pre-defined categories in order to derive patterns in the presentation and reporting of information. Content analysis seeks to present published information in a systematic, and reliable format for analysis (Guthrie and Parker 1990; Krippendorf 2004).

Content analysis requires the selection of a ‘unit of analysis’. According to Holsti (1969) a recording unit is ‘the specific segment of content that is characterised by placing it into a given category’. There is some debate around the ‘unit of analysis’ that should be used in content analysis. The preferred units of analysis in written communication tend to be words, sentences and pages. The cases for use of different units revolve around the unit of meaning and the extent to which each unit can legitimately be employed to draw the appropriate inferences (Gray, Kouhy and Lavers 1995). Sentences are preferred in written communication if the task is to infer meaning (Gray, Kouhy and Lavers 1995). Most social and environmental content analyses use sentences as the basis for coding decisions. Using sentences for both coding and measurement is likely to provide complete, reliable and meaningful data for further analysis (Milne and Adler 1999). This study had two reasons to measure data using the sentence (line) count method. Firstly, it is more appropriate than the word count in drawing up inferences from narrative statements. Secondly, the sentence (line) count method is more appropriate for converting charts, tables and photographs into equivalent lines and is more likely to provide more reliable measures of inter-rater coding than words (Hackston and Milne 1996).

To undertake content analysis, the CSR items collected from the corporate annual reports and corporate websites of the 19 sample companies were coded onto the coding sheet. Each occurrence of an item was coded by the frequency of occurrences.

Process used to analyse Proposition 1

As previously indicated, a company's industry has been identified as a factor affecting CSR practice. Companies in different industries have varying motivations towards legitimation owing to the different perceptions society has with regard to their activities, and how the management of the companies themselves perceive opinions about them (Campbell, Craven and Shrives 2003).

This paper proposes to examine variations in the level and type of CSR disclosure between companies within the one industry. In order to explore the first proposition (that companies which are considered to be more 'high profile' than others will be expected to disclose more CSR information than those which are considered to be lower in profile), and using a similar approach to Roberts (1992) and Campbell, Craven and Shrives (2003), it is proposed that the sample companies be classified into three groups depending on their level of profile – high, medium or low.

There is difficulty in establishing which companies are considered by society to be high profile versus medium or low profile. Societal perception is demonstrably complex and modelling it is difficult (Campbell, Craven and Shrives 2003). The notion of societal perception will be invalid if, for example, different groups within society hold different views on given issues. The extent to which we may refer to 'societal opinion' as a 'homogeneous and identifiable measure is thus debatable' (Campbell, Craven and Shrives 2003, p. 560).

Also, Campbell, Craven and Shrives (2003) indicate that 'noise' may also be introduced if managers of a company do not correctly perceive society's perceptions about it. Furthermore, because there is no standard measure of perception it is possible that managers' perceptions of societal opinion of their company will differ from manager to manager. As a consequence, whether or not a particular legitimacy problem exists, managers who perceive a problem will act as if the problem exists, even if it does not. In addition, even if a threat to legitimacy is known to exist, individuals have been shown to react inconsistently to it (Thaler 1987, cited in Campbell, Craven and Shrives 2003). Thus, as acknowledged by Campbell, Craven and Shrives (2003) and the classification of companies into such groups involves some discretion and is, to an extent, subjective and ad hoc.

Roberts (1992, p. 605) classified industries into two groups – high profile industries and low profile industries. He defined high profile industries as those with consumer visibility, a high level of political risk, or concentrated intense competition. This classification was also used by Hackston and Milne (1996), whilst Campbell, Craven and Shrives (2003) selected three groups of companies according to society's perception of their supposed depth of 'sinfulness'. They defined 'Group 1' as those companies that may be considered by many as having behaved unethically and whose products are generally considered to be harmful. In accordance with this criteria, they selected tobacco manufacturers as prime exemplars of Group 1 companies. They defined ‘Group 2’ companies as those that might be considered by some as guilty of some ‘sin’ insofar as their main products can, when abused, cause health deterioration and other negative social effects (in this case, those associated with alcohol misuse). They selected brewing companies to represent organisations in this group. They defined ‘Group 3’ companies as those who are considered by few of having committed ethical ‘sin’ and who are accepted by the majority as being generally beneficent in purpose. This is not to say that companies in Group 3 are objectively virtuous but they are considered by many to be generally benign. They selected retail companies to represent Group 3.

In order to allocate companies into three groups, in this study the sample companies were broken down into sub-industries. Group 1 included the sub-industries within the sample that were regarded as having the highest profile, Group 2 as having medium profile, and Group 3 as having the lowest profile. The AFBI consists of five sub-industries: brewers, distillers and vintners; soft drinks; packaged foods; and meats and agricultural products.

In order to classify the sub-industries into three groups, the approaches used by Roberts (1992) and Campbell, Craven and Shrives (2003) were combined. That is, each sub-industry was rated in accordance with the definitions provided by Campbell, Craven and Shrives (2003) which ranked industries according to the criteria: extent to which main products are harmful or cause health deterioration/risk and negative social effects. Whilst Roberts (1992) used three criteria to rank industries: consumer visibility, level of political risk and extent of competition.

Table 2 shows the rating of each sub-industry in accordance with the definitions and then gives an overall rating on proposed level of profile. This rating is used to classify the sub-industries into the three groups, Group 1 being high profile, Group 2 being medium profile and Group 3 being low profile.

Table 2: Rating of sub-industries in accordance with profile criteria

	Sub-industry				
Criteria	**Brewers**	**Distillers and Vintners**	**Soft Drinks**	**Packaged Foods**	**Agricultural Products**
Main products are harmful or cause health deterioration/risk and negative social effects (Campbell, Craven and Shrives [2003])	High	High	Medium	Medium	Low
Consumer visibility (Roberts [1992])	High	High	High	High	Low
Level of political risk (Roberts [1992])	High	High	Medium	Medium	Medium

Concentrated, intense competition (Roberts [1992])	High	High	High	High	Low
Proposed level of profile	**High**	**High**	**Medium**	**Medium**	**Low**
Proposed group number	**1**	**1**	**2**	**2**	**3**

Table 2 illustrates that Brewers and Distillers and Vintners are regarded as having the highest profile in the sample. These sub-industries might be considered by some as guilty of some 'sin' insofar as their main products (ie alcohol) can, when abused, cause serious health deterioration and other negative social effects. The Brewery and Distiller sub-industries also typically have high consumer visibility, high levels of political risk and have concentrated intense competition. Thus, Brewers and Distillers are classified as Group 1.

Soft Drinks and Packaged Foods are also considered to be guilty of some 'sin' insofar as their products can, when abused, also cause health deterioration (for example, overweight and obesity-related illnesses) but to a lesser extent than alcohol misuse. They are considered to have high levels of consumer visibility and are subject to intense competition, but are considered to have less political risk than Brewers and Distillers. Accordingly, Soft Drinks and Packaged Foods have been classified as Group 2.

Agricultural companies are considered to have lower levels of 'sinfulness' compared to the other sub-industries in the sample. This is because their products are judged to be generally benign and have not been subject to as much media attention as the other sub-industries in the sample. This may be because their main products are regarded as 'natural' and generally 'healthy'. Most media attention on obesity issues have targeted soft drinks and processed food companies. Furthermore, agricultural companies generally tend to have lower levels of consumer visibility, political risk and are subject to less competition than brewery, distiller, packaged food and soft drink sub-industries. Accordingly, the agricultural products sub-industry has been classified into Group 3.

To summarise, this study attempts to explore whether companies within the same industry have differing levels of CSR. These results will be enriched by examining whether companies within the same industry employ different strategies of CSR disclosure. This approach is discussed in the next section.

Process used to analyse Proposition 2

It was proposed in the literature review to use Gray et al.'s (1995) four legitimisation strategies to analyse whether companies within the same industry will employ different strategies of CSR disclosure. To do this, it is necessary to compare the types of disclosure strategies employed between the three groups of companies that have been classified as high, medium or low profile, with the objective of identifying whether companies with different profiles will employ different strategies of disclosure.

Each disclosure made by the sample companies was examined and classified in accordance with one of the four strategies. The classification of disclosure necessarily involved some subjectivity; however, in order to reduce subjectivity and increase consistency in the classification process, clear decision rules were established. These decision rules are discussed below.

In order to be coded to the first strategy, that is, ‘to educate and inform about actual changes in the organisation’s behaviour, the disclosure must have been accompanied by a description of an actual change in behaviour. An example of a disclosure of actual change in behaviour is described below (Lion Nathan Annual Report 2003, p. 55):

> Castlemaine reduced refrigeration electricity usage by 4.1 per cent, and greenhouse gas emissions by 478 tonnes of CO2 per year. That on top of the 650 tonnes per annum of CO2 equivalent achieved through refrigeration compressor operation optimisation since joining the Greenhouse Challenge.

If a disclosure appeared to inform, but did not provide evidence of an actual change in behaviour, it was coded as strategy two, that is, ‘seeking to change perception but not actual behaviour’. An example of this type of disclosure is provided below (Ridley Annual Report 2004, p. 2):

> North America experienced yet another year of food safety issues, including outbreaks of the cattle disease Bovine Spongiform Encephalopathy (BSE) and avian influenza. These issues invariably impact consumers’ perceptions about the food industry and lead to increased costs and uncertainty. These events have, once again, justified our ongoing, strenuous focus on product quality.

Another example is in relation to a company within the Brewer sub-industry which disclosed its commitment to responsible advertising and promotion of its products but did not provide evidence of how it was doing this. According to the Alcohol and Other Drugs Council of Australia (2004), the sub-industry is attempting to change the perception of the public but has not changed its actual behaviour.

Where a disclosure appeared to deflect attention away from an issue of concern, it was coded as strategy three. An example of this strategy is where a large amount of disclosures were made in relation to sporting and health-related programs and sponsorships which may be seen as strategies designed to deflect attention away from the issue of concern, such as obesity and diet-related disease, and alcohol abuse issues. For example, as reported in Foster’s Annual Report (2004, p. 24):

> Foster’s continued supporting their communities in 2004 with direct or indirect contributions to many not-for-profit and charitable organisations including: health and crisis care; anti-cancer research and treatment bodies; counselling services’ and remote and regional medical service provision.

Where a disclosure appeared to attempt to change external expectations, it was coded as strategy four. For example, a company reported that obesity was a complex issue that cannot be blamed on diet alone and that the best approach to managing obesity was by encouraging increased physical activity. That is, it was attempting to change external expectations by inferring that obesity cannot be blamed on the consumption of their products and that the lack of physical activity was the main cause of the obesity problem. As reported in Coca-Cola Amatil's Annual Report (2003, p. 9):

> Australia's National Health and Medical Research Council concluded that the best approach to managing obesity was by encouraging increased physical activity, increased variety of food consumption, decreased sedentary activity and family involvement.

A major limitation of the content analysis and decision rules described above is that they assume the voluntary reported disclosures made by a company reflect the actual behaviour of the company. For example, if a company has actually made changes in its performance, but not reported them, the disclosure may have been coded as strategy two and not strategy one.

4. RESULTS

This section presents the results of examining the two propositions developed in the literature review.

4.1 Results of testing Proposition 1: Higher profile companies will report more

This section provides the results of testing the first proposition, that is, Proposition 1: Companies which are considered to be more 'high profile' than others are likely to disclose more CSR information than those which are considered to be lower in profile.

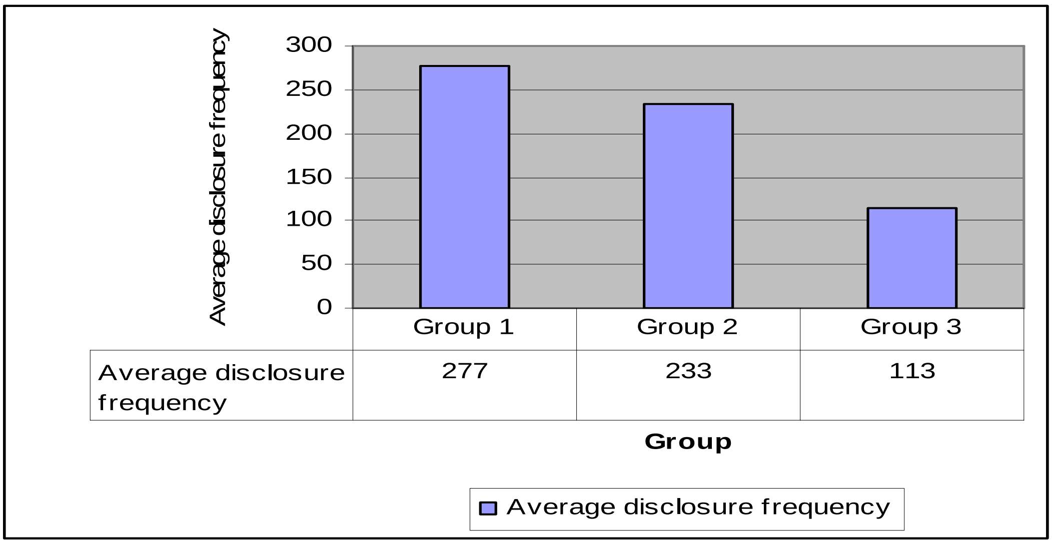
The results of testing the first proposition are shown in Table 3, which provides the total number of disclosures, the mean, medium and maximum disclosures and the standard deviation by each group. Group 1 has the highest profile and Group 3 has the lowest profile.

Table 3:   Comparison of disclosure results between the three groups of companies

	Group 1 (Brewers, Distillers & Vitners)	Group 2 (Packaged Food & Soft Drinks)	Group 3 (Agricultural Products)	Total
Number of Companies in Sample	6	6	7	19
Total Number of Disclosures	1658	1396	794	3848
Mean Disclosures	276	233	113	203
Median	301	149	123	170
Minimum	24	19	13	13
Maximum	571	615	194	615
Standard Deviation	226	234	77	191

The mean disclosure results for each group are illustrated in Figure 1 and will be discussed further below.

Figure 1: Average disclosure frequency of the three groups of companies



According to Figure 1, Group 1 has the highest mean disclosures of 277, compared to 233 for Group 2 and 113 for Group 3. Group 1 also has the highest median of 303 disclosures compared to 149 for Group 2 and 123 for Group 3. Group 2 has the highest maximum owing to the fact that a soft drink company had the highest level of disclosures in the sample. The reason for this may be the high levels of media coverage given to soft drinks and their impact on childhood obesity levels.

The results indicate that companies within Group 1, that is, companies with the highest profile reported the most (mean) disclosures and conversely, companies within Group 3, that is, companies with the lowest profile, reported the least. As such, the proposition that companies which are considered by society to be more 'high profile' than others, will be expected to disclose more CSR information than those considered to be lower in profile, is supported by the research data.

As indicated in the literature review, the nature of a company's industry has been identified as a factor affecting CSR disclosures. Prior studies in the CSR literature (for example, Patten, 1991; Roberts 1992) have found industry type influences the amount of voluntary disclosure. This study extended the existing literature by examining variations in the level of disclosure between companies within one industry to see if companies will report differently depending on their level of profile. The findings indicate that the level of company profile within an industry may also influence disclosure levels. This may be due to higher profile companies being structurally illegitimate in the eyes of some constituencies (Campbell, Craven and Shrives 2003) and, therefore, they would conceivably have more pressures to manage perceived breaches than lower profile companies.

Hence, unlike Campbell, Craven and Shrives (2003), these results support the proposition that companies with higher profiles will report more than companies with lower profiles. As outlined in the literature review, one possible explanation for Campbell, Craven and Shrives' (2003) finding is the lack of using a customised industry-specific disclosure instrument. Overall, it is argued that first, there is a need to customise general disclosure instruments with industry issues items, and second, if industry customisation is done then a positive relationship between level of profile and level of CSR may be made more visible to future researchers.

Moreover, Campbell, Craven and Shrives' (2003) study was based on using the annual report as a sole information source of CSR of the companies in their sample. As discussed in the method section, researchers using the annual report as the sole source of CSR may present questionable results. This was acknowledged by Campbell, Craven and Shrives (2003) as a limitation of their study. They provided that it might make sense in some cases for companies to disclose using media other than their annual reports on the basis that the targeted stakeholders are less likely to read the annual report and that the internet is possibly the most powerful means of providing targeted information to specific concerned stakeholders as a legitimation strategy. Hence, it is argued that there is a need to use other media sources such as corporate websites as well as annual reports as a source of CSR analysis and, if this is done, then a positive relationship between level of profile and level of CSR may be more visible.

The next section examines the second proposition and attempts to explain the results using the four legitimisation strategies. It will do this by focusing on industry-specific issues that have been found to be critical to the AFBI.

4.2 Results of testing Proposition 2: Higher profile companies will employ more strategies relating to changing public perceptions, expectations and deflecting attention

This section explores the second proposition proposed in the literature review, namely that companies which are considered to have high profiles are more likely to employ strategies of disclosure relating to changing public perceptions and expectations and deflecting attention.

In order to examine this proposition, the four legitimisation strategies outlined in the literature review will be employed to examine differences in strategies used between the three groups of companies in this industry.

The industry-specific issues identified in the methods section were regarded as contemporary critical issues facing the AFBI with potentially large impacts on the Australian community. Each disclosure in relation to the industry-specific elements as identified in Table 1, will be examined and categorised into strategy type (1), (2), (3), or (4) with the aim of exploring whether the sample companies have reacted to these issues with the use of different strategies. The results for each of the industry-specific elements will be discussed separately below.

Packaging management

The highest reported element of the industry-specific issues is the 'packaging management' element. This could be a reaction to recent substantial pressure on the AFBI to reduce packaging weight and increase recyclable packaging. Table 4 categorises each of the disclosures according to the four legitimisation strategies. The first four columns show the frequency of disclosures made for each strategy type and the second four columns show the percentage of disclosures reported for each strategy type.

Table 4: Packaging management disclosures

		Frequency of Disclosures				Percentage of Disclosures			
Strategy Type		**Group 1**	**Group 2**	**Group 3**	**Total**	**Group 1**	**Group 2**	**Group 3**	**Total**
Strategy 1	Educate and inform	210	404	15	**629**	88%	91%	100%	90%
Strategy 2	Seek to change perceptions	0	5	0	**5**	0%	1%	0%	1%
Strategy 3	Deflect attention	0	0	0	**0**	0%	0%	0%	0%
Strategy 4	Change external expectations	30	35	0	**65**	13%	8%	0%	9%
Total		**240**	**444**	**15**	**699**	**100%**	**100%**	**100%**	**100%**

From Table 4, most of the disclosures (that is, 629 of the total 699, or 90 percent) relate to an actual change in behaviour and are, therefore, evidence of the first strategy, that is to 'educate and inform about actual change in behaviour'. For instance, the industry has made substantial improvements in reducing the weight of packaging and increasing recyclable packaging (AFGC 2003). Many of the disclosures pertain to informing the public that they have acted in accordance with the National Packaging Covenant. An example of this type of disclosure is provided in Ridley's Annual Report (2004, p. 11):

> Cheetham Salt and Ridley AgriProducts became signatories to the National Packaging Covenant (NPC) in May 2002 and January 2003 respectively … As an outcome of this initiative, Cheetham Salt has increased its focus on managing and reducing packaging

waste and has modified its packaging materials. Approximately 45% (210,000 tonnes) of Cheetham's products are bagged and 90% of its packaging materials are recycled.

However, some of the disclosures (that is, 65 of the total 699, or 9 percent) appear to support strategy (4), that is, to 'change external expectations of behaviour'. This strategy would be chosen when the organisation considers that the public has unrealistic or incorrect expectations of its responsibilities. The industry is currently under significant pressure from the Environmental Protection Agency to further improve efficiencies in packaging management (Ward, 2005). However, some companies have reported that this is an unrealistic expectation and that future efficiency gains should be focused elsewhere, namely on the consumer. Some disclosures relate to shifting attention from the companies themselves to the benefits of consumer and public place recycling. For example, as reported in Coca-Cola Amatil's Annual Report (2003, p. 23):

> … recycling needs to be extended to public places and commercial venues. CCA is committed to working with local government and other industry players to extend current funding to public-place recycling.

Group 3 disclosures are all related to strategy (1). Ninety-one percent of Group 2 disclosures relate to strategy (1) and 88 percent of Group 1 disclosures relate to strategy (1). Group 1 companies reported the highest incidence of strategy (4), that is, to change external expectations. This appears to support the proposition that companies with different profiles may employ different strategies when making disclosures. Specifically, Group 1 companies, which are considered to have higher profiles, exhibited a higher proportion of strategies relating to changing external expectations than the other groups of companies. This indicates that high profile companies may seek to change perceptions and expectations as well as their actual behaviour, therefore giving further support to proposition 2.

Customer health and well-being

Obesity, alcohol abuse and general health issues are currently affecting the AFBI's reputation. With the large amount of media attention on these issues, it is considered that the sample companies may seek to adopt remedial strategies, which may accompany disclosure. With the large extent of disclosure in relation to this element, especially by companies within Group 2, it appears to support the proposition that companies have used disclosure as part of their remedial strategies.

Table 5: Customer health and well-being disclosures[4]

[4] Note: Table 4 includes 196 disclosures relating to the 'community programs and sponsorships' element. This is because 196 disclosures of the total 333 disclosures relating to this element were connected to health-related sponsorships.

Strategy Type		Frequency of Disclosures Group 1	Group 2	Group 3	Total	Percentage of Disclosures Group 1	Group 2	Group 3	Total
Strategy 1	Educate and inform	5	63	5	**73**	3%	29%	28%	**19%**
Strategy 2	Seek to change perceptions	51	50	6	**107**	35%	23%	33%	**28%**
Strategy 3	Deflect attention	89	100	7	**196**	61%	46%	39%	**51%**
Strategy 4	Change external expectations	0	6	0	**6**	0%	3%	0%	**2%**
	Total	**145**	**219**	**18**	**382**	**100%**	**100%**	**100%**	**100%**

From Table 5, there is evidence that some companies have adopted strategy (1), that is, to 'educate and inform' about actual changes in the company's performance and activities. These companies appear to have reacted to public pressure by providing alternative healthy food options and have used disclosure as a means to inform the public about their changes. The following examples from various company annual reports (Coca Cola Amatil Annual Report 2003, p. 9) support this view.

> … we are actively promoting our water and fruit juice offerings to Australian and New Zealand schools and have voluntarily withdrawn non-diet carbonated soft drinks from primary schools.
>
> A full range of beverages is being offered to consumers to suit the lifestyles of all individuals, from water to carbonated soft drinks and including low calorie alternatives.

Also the National Foods Annual Report (2004, p. 26) states

> Pura Light Start is the perfect choice for Australians leading a healthy, balanced lifestyle. Pura Light Start is low in fat and people love its fresh, creamy taste. Rich in calcium, just one glass of Pura Light Start provides nearly half your calcium needs. With the National Heart Foundation Tick and its nutritious combination of low fat, high calcium and great taste, Pura Light Start is a package of natural dairy goodness.

These types of disclosures can be argued to represent strategy (1), to 'educate and inform' the public that the companies have paid attention to obesity and health-related issues by improving customer choice with healthy product alternatives.

However, from Table 5, most of the disclosures (that is, 196 of the total 382, or 51 percent) appear to relate to an attempt to 'deflect attention' from the issue of concern, or strategy (3). The large extent of disclosure around sporting and health-related programs and sponsorships may be seen as representing the strategy by deflecting attention from the issues of concern, such as obesity and diet-related disease, and alcohol abuse. For example, as reported in Coca-Cola Amatil's Annual Report (2003, p. 22):

> Physical Activity, Go Kids! Given today's increase in sedentary recreation, the Go Kids! Initiative aims to put activity back into after school time. The program meets key recommendations from Sport and Recreation, by providing children with opportunities for daily physical activity and encouraging a range of movement experiences.

And, as quoted in Foster's Annual Report (2004, p. 24):

> Foster's continued supporting their communities in 2004 with direct or indirect contributions to many not-for-profit and charitable organisations including: health and crisis care; anti-cancer research and treatment bodies; counseling services and remote and regional medical service provision.

It also appears that some companies have employed strategy (2) and have attempted to seek to 'change the perceptions' of the public. Most of these disclosures relate to the companies recognising the importance of product innovation and widening consumer choice, but do not provide evidence that they have changed their actual behaviour, that is, they have not made disclosures relating to lower fat, healthier or low-alcohol product options. For example, Foster's stated in its Annual Report (2004, p. 24) its commitment to responsible consumption of alcohol but did not report on providing low-alcohol content product alternatives.

There is also some evidence that some companies consider that the public has unrealistic expectations of its responsibilities and have sought to 'change external expectations', in accordance with strategy (4). For example, some companies reported that obesity was a complex issue that cannot be blamed on diet alone, the inference being that obesity cannot be blamed solely on the consumption of *their* products alone. As noted in Coca-Cola Amatil's Annual Report (2004, p. 9):

> Australia's National Health and Medical Research Council concluded that the best approach to managing obesity was by encouraging increased physical activity, increased variety of food consumption, decreased sedentary activity and family involvement.

These types of disclosures appear to be an attempt to change the public's expectation of companies' products and activities relating to obesity and general health issues.

Group 2 and Group 3 disclosures in relation to strategy (1) are 29 percent and 28 percent respectively, compared to only 3 percent for Group 1. Group 1 companies employed a higher proportion of strategy (2) 'to change perceptions', and strategy (3) 'to deflect attention', than the other groups. These results also appear to support the proposition that companies with higher profiles may employ more strategies relating to changing public perception and expectations and deflecting attention when making disclosures than lower profile companies.

Food safety
The importance of quality controls in relation to food safety was highlighted in Table 6 provides an analysis of the disclosures by each of the four legitimation strategies.

Table 6: Food safety disclosures

Strategy Type		Frequency of Disclosures Group 1	Group 2	Group 3	Total	Percentage of Disclosures Group 1	Group 2	Group 3	Total
Strategy 1	Educate and inform	0	13	86	**99**	0%	57%	77%	**58%**
Strategy 2	Seek to change perceptions	37	10	25	**72**	100%	43%	23%	**42%**
Strategy 3	Deflect attention	0	0	0	**0**	0%	0%	0%	**0%**
Strategy 4	Change external expectations	0	0	0	**0**	0%	0%	0%	**0%**
	Total	**37**	**23**	**111**	**171**	**100%**	**100%**	**100%**	**100%**

Most of the disclosures in relation to food safety issues were from companies within Group 3. This could be explained as a reaction to the ongoing outbreaks overseas of animal diseases such as foot and mouth disease and mad cow disease. A large portion of the disclosures related to actual changes in behaviour. There also appeared to be attempts to reassure the public that controls are being put in place that will prevent such outbreaks occurring in Australia. This may indicate concern on the part of the companies that public perception is that food safety risks are high. The high rate of disclosure by agricultural companies in relation to food safety issues could be seen as an indication that those organisations recognise the public's perception that there is a high risk associated with food safety and are attempting to assure them otherwise. Some examples of such disclosures by Group 3 companies include (Ridley Annual Report 2004, p. 2):

> North America experienced yet another year of food safety issues, including outbreaks of the cattle disease Bovine Spongiform Encephalopathy (BSE) and avian influenza. These issues invariably impact consumers' perceptions of the food industry and lead to increased costs and uncertainty. These events have, once again, justified our on going, strenuous focus on product quality.

Group 2 and Group 3 disclosures in relation to strategy (1) are 67 percent and 77 percent respectively. In comparison, Group 1 had no disclosures relating to strategy (1), as all Group 1 disclosures related to strategy (2), that is, to 'seek to change perceptions'. These results also appear to support the proposition that companies with higher profiles may employ more strategies relating to changing public perception and expectations and deflecting attention when making disclosures.

Environment (excluding packaging management)

Increasingly, companies within the AFBI are being required to demonstrate a satisfactory performance within the environmental domain. Section 3 indicated the legacy of poor environmental performance in the AFBI, particularly in relation to water usage, energy use, greenhouse gas emissions, packaging and general environmental programs. These issues continue to affect the industry's reputation (Ward, 2005). With the past poor performance of the industry, it is considered that the sample companies may seek to adopt the strategy of educating and informing its relevant public about actual changes in the organisation's performance as well as seeking to change the perception of the public that they are acting irresponsibly, by reporting information on their environmental performance. Environmental disclosures would appear to be one of the mechanisms by which the organisations satisfy that requirement. From Table 7, it can be seen that a significant number of disclosures related to informing about their actual change in behaviour, and thus reflecting the first strategy, 'educate and inform'.

Table 7: Environmental (excluding packaging management) disclosures

Strategy Type		Frequency of Disclosures				Percentage of Disclosures			
		Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Strategy 1	Educate and inform	225	191	151	**567**	78%	88%	87%	**83%**
Strategy 2	Seek to change perceptions	65	26	23	**114**	22%	12%	13%	**17%**
Strategy 3	Deflect attention	0	0	0	**0**	0%	0%	0%	**0%**
Strategy 4	Change external expectations	0	0	0	0	0%	0%	0%	**0%**
	Total	**290**	**217**	**174**	**681**	**100%**	**100%**	**100%**	**100%**

Table 7 provides that the majority of disclosures (that is, 567 of the total 681, or 83 percent) related to actual change in behaviour. Some examples of disclosure in relation to actual changes in behaviour include the following statements (Lion Nathan Annual Report 2003, p. 55; Southcorp Annual Report 2004, p. 28):

> Castlemaine reduced refrigeration electricity usage by 4.1 per cent, and greenhouse gas emissions by 478 tonnes of CO2 per year. That on top of the 650 tonnes per annum of CO2 equivalent achieved through refrigeration compressor operation optimisation since joining the Greenhouse challenge.
>
> Tooheys maintained their ISO 14001 certification with a successful third party environmental audit of their environmental management system …
>
> Some of our initiatives include: installing drip irrigation systems, which use 30% less water than other methods; … a recycling program which has resulted in a 26% reduction of solid waste going to landfill …

Thus, a significant number of disclosures were made in order to inform about the company's actual change in behaviour, reflecting the first strategy. However, some disclosures did not provide evidence of actual change in behaviour and were therefore categorised as strategy (2).

Group 2 and Group 3 companies reported more on strategy (1) than Group 1. Group 1 employed a higher proportion of strategy (2), that is, to seek to change perceptions, than the other groups. This again appears to support the proposition that companies with higher profiles may be inclined to employ more strategies relating to changing public perception and expectations and deflecting attention when making disclosures, compared to lower profile companies.

Responsible marketing

While the responsible marketing category of elements is relevant to all companies in the sample, it is considered more relevant to companies within Group 1. As discussed above, research studies have generally found that advertising has a small but contributory effect on drinking behaviour, as well as an effect on attitudes towards drinking and levels of alcohol-related harm. However, unlike tobacco-related activities, alcohol promotion, advertising and sponsorship are permitted almost without restriction in Australia**.**

Table 8: Responsible marketing disclosures

Strategy Type		Frequency of Disclosures Group 1	Group 2	Group 3	Total	Percentage of Disclosures Group 1	Group 2	Group 3	Total
Strategy 1	Educate and inform	0	0	0	**0**	0%	0%	0%	**0%**
Strategy 2	Seek to change perceptions	62	0	0	**62**	94%	0%	0%	**94%**
Strategy 3	Deflect attention	0	0	0	**0**	0%	0%	0%	**0%**
Strategy 4	Change external expectations	4	0	0	**4**	6%	0%	0%	**6%**
	Total	**66**	**0**	**0**	**66**	**100%**	**0%**	**0%**	**100%**

From Table 8, it appears that some companies use the strategy ‘to seek to change perceptions’ of the public via disclosure in relation to ‘responsible’ advertising and promotion of their alcohol products. According to the Alcohol and Other Drugs Council of Australia (AODCA 2003), these companies haven’t actually changed their behaviour; in fact, there are little controls over where and when alcohol can be advertised and promoted. However, Group 1 companies made disclosures about their commitment to responsible promotion and advertising of alcohol-related products. For example, as reported in Foster’s Annual Report (2004, p. 24):

> We recognise that with the production and marketing of alcohol beverages come additional social and ethical responsibilities. We realise we can make a positive contribution as an enjoyable part of healthy lifestyles and discouraging irresponsible drinking practices. For this reason we are committed to generating responsible consumption message …
>
> We aim to ensure that our products are enjoyed responsibly by informed adult consumers. Our group-wide alcohol in the community policy highlights our commitment to being a responsible producer and marketer of alcoholic beverages; promoting the responsible consumption and service of alcohol; minimising potential harm to consumers and our community as a result of consuming of our products …

As reported by the Alcohol and Other Drugs Council of Australia (2003) many alcohol companies around the world are engaging in philanthropic activities through the contribution of funds to scientific research on alcohol. Although the alcohol industry points to these activities as their contribution to addressing alcohol-related harm, concerns have been expressed internationally that any increase in industry-funded research will impact on the credibility of alcohol research more generally. According to the Alcohol and Other Drugs Council of Australia (2003), some commentators believe that the industry will increasingly select and fund studies whose likely outcomes are positive to the image of alcoholic beverages and their producers. This can be seen in the recent emphasis being placed on the benefits of moderate drinking (Lemmens, 1997). For example, as reported on the Winemakers’ Federation of Australia’s corporate website (2004):

> The Australian wine industry has a long standing commitment to the consumption of wine in moderation … The Winemakers’ Federation has consistently put the view that wine (alcohol) in moderation is not injurious and arguably beneficial to health for a normal, healthy consumer.

The view that the consumption of alcohol has benefits in moderation is also reflected in Foster's Annual Report (2004, p. 24):

> CUB introduced an 'Enjoy Responsibly' corporate responsibility program focussed on the responsible production, marketing and consumption of alcohol beverages and on educating and encouraging consumers to balance the enjoyment of drinking alcohol beverages with their personal responsibility to consume alcohol in a legal, informed and considered way.

All disclosures for this element were from Group 1 companies who mostly employed strategy (2), that is, to seek to change the public's perception of their activities.

Animal welfare

Animal welfare was identified as a fundamental concern to the community in the literature review. However, the issue is only relevant to Group 3 companies and is reported in Table 9.

Table 9: Animal welfare disclosures

Strategy Type		Frequency of Disclosures				Percentage of Disclosures			
		Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Strategy 1	Educate and inform	0	0	6	**6**	0	0	100%	**100%**
Strategy 2	Seek to change perceptions	0	0	0	**0**	0	0	0	**0**
Strategy 3	Deflect attention	0	0	0	**0**	0	0	0	**0**
Strategy 4	Change external expectations	0	0	0	**0**	0	0	0	**0**
	Total	**0**	**0**	**6**	**6**	**0**	**0**	**100%**	**100%**

From Table 9, all animal welfare disclosures reflect strategy (1), which is to inform about actual behaviour change. For example, as reported in Australian Agriculture Company's website (2004):

> Animal welfare: We consider the welfare of animals on our stations and feedlots as a primary concern. Work practices and staff training programs in all animal husbandry areas are based on the Model Code of Practice for the Welfare of Animals – Cattle. Animal welfare practices are described in detail in the Good Agricultural Practices section of the Australian Agricultural Company Reference Manuals.

As reported in Futuris's Annual Report (2004, p. 12)

> Elders' feedlots at Charlton (Vic) and Killara (NSW) are subject to local and state government environmental and animal welfare legislation. Operations at both feedlots are quality assured under the National Feedlot Accreditation Scheme, which is independently administered and audited annually by Aus-Meat. In addition, the operations are conducted under the provisions of the Australian Code of Practice for the welfare of Cattle in Beef Feedlots (1996) and the Australian Model Code of Practice for the welfare of Animals – Cattle (1992).

In summary, Table 10 provides total industry-specific disclosures for each group by strategy type. It provides that 70 percent of total disclosures were in relation to strategy (1), 17 percent were in relation to strategy (2), 10 percent were in relation to strategy (3) and 4 percent were in relation to strategy (4).

Table 10: Total industry-specific disclosures

TOTALS	Group 1	Group 2	Group 3	Total	Group 1	Group 2	Group 3	Total
Strategy 1	443	681	272	**1396**	57%	75%	84%	**70%**
Strategy 2	212	81	45	**338**	27%	9%	14%	**17%**
Strategy 3	89	100	7	**196**	11%	11%	2%	**10%**
Strategy 4	34	41	0	**75**	4%	5%	0%	**4%**
Totals	**778**	**903**	**324**	**2005**	**100%**	**100%**	**100%**	**100%**

Group 3 has the highest percentage of strategy (1) disclosures at 84 percent, compared to 75 percent for Group 2 and 57 percent for Group 1. Group 1 reported proportionately more on the other three strategies combined than the other groups. These results appear to support the proposition that companies with different profiles may employ different strategies. Further, the findings suggest that high profile companies may be more likely to employ strategies relating to changing perceptions and external expectations and deflecting attention than lower profile companies.

6. FURTHER DISCUSSION OF RESULTS

Our research Proposition 2 stated that companies with high profiles are more likely to report on disclosure strategies relating to changing public perception and expectations and deflecting attention. This proposition is supported by the research data. Group 1 companies, which consisted of the companies that were considered to be higher in profile, reported proportionately more on strategies relating to changing public perception, expectations and deflecting attention. These results provide support for the view that companies with higher profiles than others would have an incentive to employ more of strategies (2), (3) and (4), that is, strategies relating to changing public perceptions and expectations and deflecting attention, rather than strategies relating to changing actual behaviour. This may be because a high profile company's major product would have mainly negative connotations (that is, the company is, in the eyes of some constituencies, structurally illegitimate) (Campbell, Craven and Shrives 2003) and would conceivably have more pressures to use legitimisation strategies than lower profile companies. As the negative connotations are intrinsic in a high profile company's major product, it would be expected that higher profile companies may find it difficult to change their actual behaviour and may find it easier to change public perceptions, expectations or to deflect attention. Hence, this paper arguably extends the existing literature by linking a company's level of profile to the type of legitimacy strategies employed.

Further, variations in strategies were observed across the different industry-specific issues. In particular, issues that were considered to be more 'structural' (Campbell, Craven and Shrives 2003), that is, where the issue is central to the company's main product (with the exception of food safety), had a higher proportion of reporting on strategies relating to (2), (3) and (4) (changing perceptions, changing expectations and deflecting attention), than strategy (1) (changing actual behaviour).

For example, elements which were considered to be structural – customer health and well-being, and responsible marketing – had a higher proportion of strategies relating to changing perceptions, changing expectations and deflecting attention than changing actual behaviour. Conversely, elements that were considered not to be structural – packaging management, environmental issues and animal welfare – had a higher proportion of reporting relating to strategy (1), that is, changing actual behaviour, than the other strategies.

Thus, two factors were found to influence choice of legitimacy strategy: (1) the level of a company's profile; and (2) whether the issue is 'structurally illegitimate', or central to the company's major product.

7. CONCLUSION

This paper examined whether the selected companies disclosed information for legitimisation purposes. The findings of 'testing' two propositions were discussed. The proposition that companies considered to be more 'high profile' than others are likely to disclose more CSR information than those considered to be lower in profile, was supported by the research data. The findings indicated that the level of company profile might influence disclosure levels. This may be due to higher profile companies being structurally illegitimate in the eyes of some constituencies and would conceivably have more pressures to manage perceived breaches than lower profile companies.

Also, the proposition that companies with high profiles are likely to employ more disclosure strategies relating to changing public perceptions and expectations and deflecting attention, was supported by the research data. This may be because a high profile company's major product would have mainly negative connotations and would conceivably find it more difficult to change actual behaviour than to use legitimisation strategies relating to changing public perception, changing external expectations and deflecting attention. The study extended the existing literature by linking a company's level of profile to the type of legitimacy strategies employed.

This paper provides contributions to the theory of legitimacy theory in two ways. First, while many prior studies have examined industry effects by comparing disclosures between industries, this study examined for effects within one industry. The finding of differences in reporting levels between companies with different profile levels is arguably an important contribution to legitimacy theory. This finding means that there are not only industry effects explained by legitimacy theory, but there can also be large variations even within an industry. In addition, the level of profile of a company can also be an important explanatory factor for legitimacy theory. Second, this study extended the existing literature by examining whether companies with different profile levels would employ different strategies of legitimisation. The findings mean that a company's profile level may be a contributor to the type of legitimising strategy that it employs. Specifically, it was found that companies with a higher profile reported proportionately more on strategies relating to changing public perception, changing public expectations and deflecting attention, than lower profile companies. This may be because a high profile company's major product would have mainly negative connotations (that is, the company is, in the eyes of some constituencies, structurally illegitimate) and as the negative connotations are intrinsic in a high profile company's major product, it would be expected that high profile companies will find it difficult to change their actual behaviour and may find it easier to change public perceptions, expectations or to deflect attention. These findings are arguably an important contribution to legitimacy theory as they link the level of a company's profile to the type of legitimacy strategies employed.

Further, variations in strategies were observed across the different industry-specific issues. Specifically, issues that were considered to be 'structural' to the company generally had a higher proportion of reporting on strategies relating to changing public perceptions, changing expectations and deflecting attention, than changing actual behaviour. Thus, two factors were found to influence choice of legitimacy strategy: (1) the level of a company's profile; and (2) whether the issue was 'structurally illegitimate'.

These findings have several broader implications for international bodies, government authorities, industry-based associations and professional accounting bodies responsible for developing policy in relation to CSR. The results presented in this paper indicate that companies may disclose information in allaying public concerns and legitimising their operations when activities may or may not actually conform to public expectations. These results are consistent with the view that voluntary public disclosure of information may be undertaken by managers for legitimising purposes. Such results support Deegan's (2002a, p. 298) view that information might only be released by an organisation when suspicions or concerns are aroused, which is not consistent with the view that managers disclose information for accountability reasons. If this is the case, then these legitimising strategies may enable organisations that create adverse environmental and social impacts to continue to operate (Deegan 2002a).

Such voluntary disclosure decisions have implications for regulation. Arguably, disclosure decisions should not respond to legitimacy threats but should be based on beliefs about what managers are considered to be accountable for. Deegan (2005) argues that the literature on disclosure motivations should provide sufficient evidence to regulators that leaving it to managers to voluntarily disclose information could lead to the provision of biased information, thus arguing the need for more regulation.

The findings in this paper raise the question of whether policy setters should consider more regulation of CSR in Australia. In the United Kingdom, the Department of Trade and Industry issued a mandatory statutory requirement which requires public listed companies to prepare and disclose an 'operating and financial review' as part of their annual report. The mandate came into effect in April 2005 and required UK organisations to report on a number of key performance indicators relating to environmental, social, community and employee-related issues (DTI 2005, p. 67). The Australian Federal Government is currently considering amending the Corporations Act to broaden directors' roles to include consideration of social responsibilities as well as shareholder interests.

However, if guidelines are promulgated, this would present various challenges. For example, it would be necessary for researchers, practitioners, and the accounting profession, as well as various industry associations in Australia, to cooperate and establish a consensus of how and what CSR information should be reported on. Also, considerable flexibility would have to be built into any policy arrangements to accommodate a wide scope of reporting to allow for variations in industry and company variables (Guthrie, Petty and Ricceri 2005). Questions about who will fund the policy development, how often policy reviews are required and the means of enforceability would also need to be considered. Despite such challenges, the reliability of CSR is an important issue that needs to be considered in parallel.

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