

**UNIVERSITY OF GHANA**

**AN EXPLORATION OF CORPORATE SOCIAL RESPONSIBILITY EXECUTIVES'  
PERSPECTIVES OF CORPORATE SOCIAL RESPONSIBILITY REPORTING AND  
STAKEHOLDER MANAGEMENT IN GHANA**

**BY**

**AMY AFI BONUEDI**

**(10278084)**

**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON IN  
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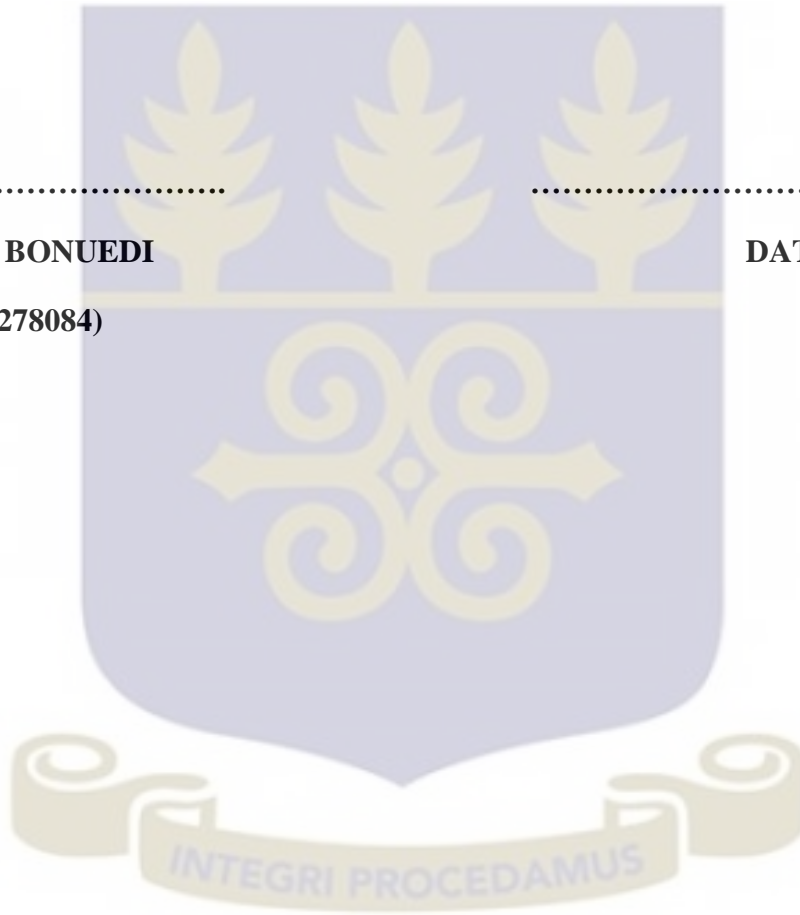


## DECLARATION

I do hereby solemnly declare that except for the references to other people's work which have been duly acknowledged, the masterpiece presented herein was as a result of my own novel research. This work has never in part or whole been submitted for any award to any University elsewhere. I bear sole responsibility for any shortcomings.

.....  
**AMY AFI BONUEDI**  
**(10278084)**

.....  
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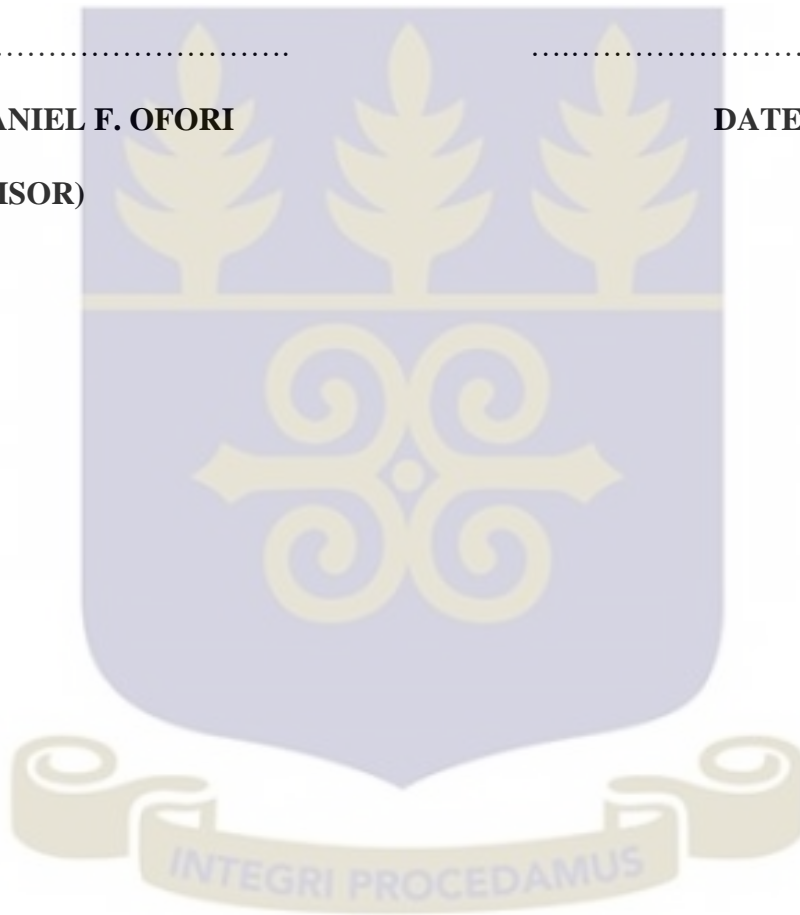


## CERTIFICATION

This work was submitted in accordance with the guidelines of supervision of thesis laid down by the University of Ghana.

.....  
**PROFESSOR DANIEL F. OFORI**  
**(SUPERVISOR)**

.....  
**DATE**



## DEDICATION

This work is dedicated to the Lord God Almighty for the divine wisdom and strength given me to go through this research successfully. It is also dedicated to my father, Hope .K. Bonuedi for his relentless support, guidance and motivation, my late mother, Gladys Bonuedi, Rev. Ellis Cofie, and my siblings for their love, care and support.



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## LIST OF ABBREVIATIONS

AGM	- Annual General Meeting
APEC	- Asia-Pacific Economic Cooperation
BoDs	- Board of Directors
CEOs	- Chief Executive Officers
CERES	- Coalition for Environmentally Responsible Economics
CSR	- Corporate Social Responsibility
CSRМ	- Corporate Social Responsibility Movement
EPA	- Environmental Protection Agency (EPA),
EU	- European Union
GC	- Ghana Club
GDP	- Gross Domestic Product
GEA	- Ghana Employers Association
GHBC	- Ghana Business Code
GNPC	- Ghana National Petroleum Corporation
GRI	- Global Reporting Initiative
GSE	- Ghana Stock Exchange
IFC	-Performance Standards,
KPIs	- Key Performance Indicators
NGOs	- Non - Governmental Organizations
OECD	- Organization for Economic Co-operation and Development
PERI	- Public Environmental Reporting Initiative Reports
ROE	- Return on Equity
SSNIT	- Social Security and National Insurance Trust
TEMYC	- Tema Municipal Youth Coalition Executives
WRAP	- World Responsible Apparel Production



## ABSTRACT

This study examines the perspectives of CSR executives on CSR reporting and stakeholder management in Ghana. Using a qualitative research approach, out of a total sample of 20 firms, the study sought the views of ten (10) CSR executives from companies that have been consistent on the Ghana Club 100 over the 2010 - 2012 (three) period. Respondents were selected using the purposive and stratified sampling techniques. The descriptive and thematic analyses were used to draw and discuss the central themes in relation to the research objectives. The findings indicate that CSR information of companies was disclosed using not only embedded and standalone reports but through other outlets including; corporations' websites, newsletters, press conferences and at verbal presentations during AGMs of shareholders. Companies were found to take advantage of voluntarily reporting their corporate philanthropic activities in order to generate mileage; enhance their reputation and brand; attract investors and further contracts; enlarge their clientele base and to win awards. Besides, in order to elude pressure groups and enhance credibility, companies adopted effective means to manage their stakeholders for the ultimate purpose of ensuring survival and enhancing performance. The findings also show that CSR reports of companies serve as a tool that helps in correcting negative perceptions stakeholders have about firms. It was also observed that the absence of effective communication of CSR actions may fuel stakeholder scepticism which may be significantly detrimental to the effectiveness of managing stakeholder groups. In addition, whereas factors such as nature of ownership, age and size of the firm were observed to be important in promoting evidence on voluntary CSR reportage of companies, profitability was found to produce inconclusive evidence on CSR reporting. Furthermore, most firms do not seem to have significant challenges in preparing and reporting their CSR mainly due to companies having engaged in restricted CSR activities and committed to selective CSR reporting. In managing stakeholders however, some companies are challenged with balancing the conflicting interests of diverse stakeholders. For effective CSR reportage, it is recommended that policy makers and regulatory bodies provide and promote homogenous guidelines not only for listed but all business entities operating in the country. This study suggests that companies in Ghana should adopt appropriate mechanisms that promote the implementation of stakeholder management policies at firm-level and take cognizance of the stakeholder involvement strategy which is a two-way proactive communication approach of engaging stakeholders. This will foster trust thereby helping to boost stakeholder confidence. Finally, firms are encouraged to provide more detailed, informative and nuanced CSR reports that are capable of meeting the information needs of their various publics.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the Study**

Over the years, the idea of Corporate Social Responsibility (CSR) has continued to grow in substantial fame and this idea has been the focus of immense discussion, theory building, commentary and research (Carroll & Shabana, 2010). It is further noted that, the development and evolution of CSR in both academic and practice has not hindered the discussions and debate as to what it means and what it embraces. There is no agreement among scholars on why the concept of CSR has risen to prominence in recent times (Blowfield & Frynas, 2005). However, according to Jenkins (2005), there appears some consensus that the concept has been precipitated by the increasing demand of society to control the growing power and irresponsible behavior of corporations without public regulation since the operations of these corporations are sometimes environmentally devastating or pose a great threat to social and economic development, as well as national sovereignty.

In fact, there is not one definition of CSR since it has been perceived that the concept has proved a “slippery term”, as it is understood and explained in different ways by various persons (Holcomb, Okumus & Bilgihan, 2010). Carroll (1991) defines CSR as the economic, legal, ethical, and discretionary expectations that society has for an organization at a particular point in time. The concept is also viewed as a voluntary commitment of corporations that go beyond the explicit and implicit obligations, often imposed on firms by society’s expectations of conventional corporate behavior (Falck & Heblich, 2007). It is quite clear from these definitions that CSR initiatives are largely voluntary that extends conformity of laws and societal expectations.

Since the 1970s, companies all over the world have faced a growing public demand to exhibit their social responsibility (Buhr, 2007) and these have pushed them to include CSR as part of their strategic plans. Thus, the focal point of companies undertaking activities of CSR is to ensure that they do not act in opposition to, or in isolation from, the pressing societal issues (Golob, Elving, Nielsen, Thomsen, Schultz & Podnar, 2013; Golob, Lah & Jančič, 2008). For instance, it is now a usual practice for organizations to install machinery that are environmentally friendly, reclaim sites which were damaged by their prior activities, use materials that can be recycled, show gender equity, respect human right conventions, distant themselves from providers of child labor products, engage in philanthropic and other activities which modern-day corporations embark on either to show their consciousness of responsibility (Idowu & Pappasolomou, 2007) to society or placate pressure groups (Gao, 2011; Halme, Roome & Dobers, 2009).

Despite companies demonstrating social responsibility, continuous deterioration of environmental conditions have heightened expectations of stakeholders about (McDonald & Young, 2012) companies becoming more transparent and accountable in their CSR practices (Nielsen & Thomsen, 2007). Pollach (2003) and Dawkins (2005) advanced that for companies to achieve valuable associations from their CSR efforts, there is the need to report their CSR activities to relevant stakeholders. This assertion was later echoed by Golob et al. (2013) who emphasized that reporting CSR activities to stakeholders is a more refined approach to dealing with issues of CSR. Other scholars including; Colleoni (2013), Michelin (2011) as well as Othman, Darus and Arshad (2011) have argued that not only is the disclosure of CSR information part of the discourse between an ethical organization and its stakeholders but it again helps legitimize corporate behavior and contribute to generate corporate reputation. Previous studies also regard CSR reports of companies as a response to societal expectations and

demonstration of legitimacy in the eyes of society (Tilling & Tilt, 2010). Therefore it is expedient that, when the old foundations of business ethics fail, companies demonstrate their ethical standards to their stakeholders through new corporate strategies (Pérez, 2015).

It is worth noting that, although CSR reporting might have been in existence for several years, the concept started to gain momentum in both practice and academia only in the past few decades (Deegan, 2002; Gray, Kouhy & Lavers, 1995; Pérez, 2015). Indeed, there are numerous definitions associated with the concept of CSR reporting. However, the concept lacks a universally accepted definition (Kotonen, 2009) and this can be associated with the increasing polemics associated with the construct of CSR. One of the widely used descriptions of CSR reporting was proposed by Gray, Owen and Maunders (1987) as the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. Pérez (2015) also viewed CSR reporting as the disclosure of an organizations strategies that demonstrate the inclusion of social and environmental concerns in business activities and in interactions with stakeholders.

The literature highlights diverse ways of reporting CSR activities. Nonetheless, Thorne, Mahoney and Manettii (2014) outlined two major types of reporting practice which ordinarily comprise of either the production of standalone documents that are most generally, but not always of the companies' own free will, or the production of information within a company's annual report, which consists of information that are both voluntary and mandatory. Although these two reporting types are used worldwide, annual reports are said to be the core channels through which CSR practices are communicated to stakeholders (Alnajjar, 2000). However according to Sutantoputra

(2009), means chosen for reporting information on CSR may be influenced by the availability of resources and strategic intentions of businesses to reach specific stakeholders. Quiroz-Onate and Aitken (2007) argued that most companies which are uncertain about their crucial stakeholders are seriously affected by the materiality and boundaries of their CSR reports. What is more? The lack of transparency on the part of stakeholders can also pose extra difficulties in selecting the right content of the reports (Hinson, 2011).

Despite these challenges, it has been pointed out that the reportage of companies CSR information is a mode of managing relevant stakeholder groups (Islam & Deegan, 2008) in order to receive essential support from them to ensure companies continual existence (Dong, Burritt & Qian, 2014), since the dominant principle of managing stakeholders is by simultaneously dealing with pressures arising from multiple stakeholders (Lee, 2013). However, the influence of stakeholder pressures on CSR reporting may be specific to context, because each country has its distinctive regulatory, economic, social, political, and cultural institutions, which may lead to significant differences in stakeholder powers (Abreu, Castro, Soares & Filho, 2012). The term “stakeholder(s)” is a broad concept, defined by Bowmann-Larsen and Wiggen (2004) as all those with a “critical eye” on corporate players.

Freeman (1984) viewed stakeholders as very significant actors who can positively or negatively influence companies’ operations and/or are influenced by the operations of companies. Therefore, since making money and doing well are complementary (Engardio, Capell, Carey & Hall, 2007), it is important that businesses identify specific stakeholder groups and address issues of concern to them. This statement supports the stakeholder theory which emphasizes that businesses are not solely answerable to their

stockholders but also to their stakeholders (for example, the communities, employees, investors, creditors, government, public, distributors, environmental activists, media, etc.). Stakeholder management on the other hand is regarded as a voluntary concept which can be used to understand and manage stakeholders, as a result organizations that possess an expressed stakeholder management skill, are able to develop and implement communication processes with different stakeholder groups, negotiate with them about critical matters and aim to sign voluntary agreements with them (Freeman, 1984). This assertion espouses Drieniková and Sakál's (2012) definition of stakeholder management as the administration of the relationship between businesses and their stakeholders.

In Ghana, large scale multi-national businesses, especially those in the extractive sector are leading the path in the area of CSR (Amponsah-Tawiah & Dartey-Baah, 2011). However with respect to CSR reporting, indeed, numerous organizations in Ghana have begun disclosing their CSR information through their yearly reports and websites (Ofori & Hinson, 2007; Hinson, Boateng & Madichie, 2010). In fact, each company in Ghana seem to respond to its own unique way to CSR issues, as well, the extent of their response is influenced by factors such as the specific company's size, the particular industry, the firm's business culture, stakeholder demands and how historically progressive the company is, in engaging in CSR (Ofori & Hinson, 2007). According to Abugre and Nyuur (2015) most firms in Ghana attach more significance to communicating their CSR activities to their stakeholders. For instance, Barclays Bank Ghana Limited, CAL Bank, Standard Chartered Bank (Hinson, 2011) State Insurance Company (SIC), UT Bank, Auto Plaza, Newmont Gold Ghana Limited, AngloGOLD Ashanti etc. are some companies in Ghana that engage in CSR reporting. Moreover, whilst some firms in Ghana constrict their CSR reports to capture just a single project

like the assistance given to a community, others aim to incorporate many issues in their CSR reports.

On stakeholder management in Ghana, Hagan (2016) investigated construction firms using Zoy Consult as a case study to establish the critical role stakeholders play in the effective execution of projects. The qualitative study employed telephone interviews in acquiring primary data. Findings indicated that stakeholder management plays a critical role in ensuring that project performance and delivery proceeds with fewer challenges. The study recommended that identifying stakeholders, ensuring effective communication, assessing stakeholders' behavior, predicting stakeholder influence and promoting good relationships are relevant strategic elements that can be used in managing stakeholder expectations.

## **1.2 Problem Statement**

Scholars including; Cho, Michelin, Patten and Roberts (2014) - USA; Jones and Solomon (2010) - UK; O'Dwyer, Owen and Unerman (2011) - Europe; Sawani, Zain and Darus (2010) – Malaysia; explored CSR practices and particularly CSR reporting, within a single country setting. On the other hand, Bashtovaya (2014) - US and Russia; Golob and Bartlett (2007) - Australia and Slovenia; Dawkins and Ngunjiri (2008) - UK and Europe; also examined CSR practices and CSR reporting in the context of multiple countries. Nonetheless, only few of such studies drew the CSR reporting and stakeholder linkage (see, Dong et al., 2014; Prado-Lorenzo, Gallego-Alvarez & Garcia-Sanchez, 2009; Qu, Leung & Cooper, 2013). Besides majority of these studies were conducted from the perspective of the developed world (Jamali, 2007) where CSR practices and CSR reporting have a longer history.

Although some recent studies touched on CSR practices and CSR reporting in emerging economies (see, Criso´stomo, Freire & Vasconcellos, 2011; Duarte, 2010; Gupta, 2011), less attention has been given to the subject in the developing context (Arli & Lasmono, 2010) of which Ghana is no exception. Also, the limited studies conducted on CSR practices in Ghana have concentrated largely on ethical, philanthropic and corporate governance issues (Abor 2007; Kyereboah-Coleman & Biekpe 2007; Ofori 2007a; Ofori, Nyuur & S-Darko, 2014) whereas others examined wholesale CSR typology issues (Ofori, 2007b; Ofori, 2010; Ofori & Hinson, 2007). As well Amponsah-Tawiah and Dartey-Baah (2011) investigated CSR in Ghana.

Moreover whilst some studies have been conducted on CSR reporting (Hinson et al., 2010; Hinson, 2011) and stakeholder management (Hagan, 2016; Henjewe, Fewings & Rwelamila, 2013; Mishra & Suar, 2010) disparately, these concepts have been largely unexplored. In particular, it appears these studies did not look at the CSR reporting-stakeholder management nexus not only in organizational settings but also from the industrial and national perspective. They also did not simultaneously investigate firms from different sectors such as the manufacturing, financial (banking & insurance), etc.

Islam and Deegan (2008) posit that CSR reports serve as instruments used for managing stakeholders because, these reports function as information that assist firms in decision making in order to better manage, satisfy and balance the interests of their stakeholders. Conversely, this area has not been dealt within the Ghanaian context. It is therefore against this backdrop that the study was set to fill these gaps by contributing knowledge to theoretical and empirical literature by conducting an extensive and in-depth exploration of CSR executives' perspectives of CSR reporting and stakeholder

management in Ghana. This study further determines the link between CSR reporting and stakeholder management.

### **1.3 Objectives of the Study**

The key objectives of the study are to:

1. (a) Examine CSR reporting approaches adopted by companies in Ghana.  
(b) Discover stakeholder management approaches adopted by companies in Ghana.
2. Determine the benefits associated with CSR reporting and stakeholder management of companies in Ghana.
3. Assess how CSR reporting influences the management of company stakeholders in Ghana.
4. Ascertain the key challenges associated with CSR reporting and stakeholder management of companies in Ghana.

### **1.4 Research Questions**

The research is guided by the following research questions:

1. (a) What are the CSR reporting approaches adopted by companies in Ghana?  
(b) What are the stakeholder management approaches adopted by companies in Ghana?
2. Are there some benefits associated with CSR reporting and stakeholder management of companies in Ghana?
3. To what extent does CSR reporting influence the management of company stakeholders in Ghana?
4. What are the key challenges associated with CSR reporting and stakeholder management of companies in Ghana?

### **1.5 Research Propositions**

In the light of the above research objectives, the following were proposed:

1. CSR reporting positively influences stakeholder management.
2. CSR reporting is a tool used for effective management of stakeholders.

### **1.6 Significance of the Study**

The significance of this study is examined along three components: practice, policy formulation and academia. Hence this study hopes to provide a very expedient document for associations, groups, companies and regulatory bodies, to know the nature, challenges, current and emerging trends and effects of CSR reporting and stakeholder management. In the field of practice, the study provides insight for experts and management of companies to design programs and techniques that will assist in promoting CSR reporting and means used in the management of stakeholders. Perhaps this can go a long way to boost the overall performance of organizations and improve their relations with stakeholders. Thus, in terms of policy development, the study draws practical measures from the findings and hopes to advance some practical measures to curb inefficiencies in the management of stakeholder interest.

For the players in the academic arena, this study contributes to literature by providing not only a comprehensive view on CSR reporting and stakeholder management but also helps in designing educational tools that will maximize public understanding of how CSR reporting enhances the management of company stakeholders. Furthermore, whilst this study does not hope to be a benchmark, it adds to existing literature which will be used for further research studies as well as serve as a reference document for potential researchers and other related areas.

### **1.7 Methodology**

The study employed the qualitative approach to explore CSR executives' perspectives of their firms' CSR reporting and stakeholder management. Interviews and in-depth analyses were used to explore the understanding of the phenomenon. The study adopted the cross sectional survey approach using both primary and secondary data. Primary data was aided by the use of an interview guide whilst secondary data included information published in annual reports, CSR reports as well as websites of the companies under study. The target population of the study included the head offices of listed companies that have consistently appeared on the Ghana Club (GC) 100 over the 2010-2012 (three) period. Using the purposive and stratified sampling techniques, a sample of twenty (20) firms were selected for the study which included CSR executives made up of CEOs and persons in charge of CSR activities. Finally, the thematic and documented text analysis was used with descriptive methods and excerpts in presenting the findings.

### **1.8 Study and Chapter Dispositions**

The study was structured and organized into five (5) main chapters. Chapter One consists of the introduction, which covers the general background for the study. In this chapter, the problem is defined, the objectives are outlined, the research questions and propositions are postulated, and the relevance of study sets forward. Chapter Two presents a thorough review of relevant and existing literature. Here, the theoretical frameworks espoused to explain the phenomenon are explored, related theoretical and empirical works are reviewed and a diagrammatic view of the research framework specifications are also presented. Chapter Three presents the methodology and the research approach used in conducting the study. It outlines the research design, the study population, sampling and sample selection, data collection instruments, ethical considerations and data processing and analysis. The empirical results and discussion of

findings are presented in Chapter Four. Chapter Five, the final chapter presents the summary of findings, conclusions, limitations and recommendations and suggestions for future research avenues.



## CHAPTER TWO

### LITERATURE REVIEW

#### **2.1 Introduction**

This chapter reviews relevant literature for the study. It examines the concept of CSR and CSR in Ghana, the theoretical frameworks espoused and formulated to explain CSR reporting and stakeholder management as well as related studies where scholarly works and empirical evidences conducted by earlier researchers in the topic domain are explored. The chapter concludes with a diagrammatic description of the conceptual framework that postulates and explains the various variables explored in the study.

#### **2.2 Historical background and definitions of corporate social responsibility (CSR)**

Social responsibility (SR) was the predominant term used in the early writings of CSR in the 1950s (Carroll, 1999; Frederick, 2006). Bowen (1953) however sets forth an initial definition of the social responsibilities of businessmen. He refers to it as “the obligations of businessmen [and entities] to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society. He argued that social responsibility comprises an important truth that must serve as a guide to businesses in the future rather than as a panacea. As a result of his early and seminal work, Carroll (1999) proposed that Bowen must be acknowledged as the “Father of Corporate Social Responsibility.”

Based on Bowen’s (1953) definition, many scholars, environmentalists and pressure groups considered managers as the public trustee of keeping the resources of a society for the generations unborn. Frederick (2006) opines that the idea of the manager as public trustee, balancing of competing claims to corporate resources, and corporate philanthropy were the three fundamental ideas of CSR that dominated within this period.

It was however earlier argued by Carroll (1999) that this was possibly because the age of the modern corporation's prominence and dominance in the business sector during that period had not yet been noted. In addition, Gurrman, Petit, Brazilier and Vauday (2014) underscored that the original idea of CSR was thought to be compatible with profit maximization, and philanthropy would be conditional to this aim. This epoch however ushered in what might be called the "modern era" with respect to CSR definitions.

A decade afterwards, Bowen's (1953) treatise on CSR developed considerably. Davis (1960) one of the most prominent academics of that period argued that social responsibility should be seen in a managerial context. He described social responsibility as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". He further, provided an elaborate picture on the relationship between social responsibility and business power. He argued that, the social power of businessmen must be in proportion with their social responsibility. This assertion however aroused some criticisms. Among other scholars, Friedman (1970) argued that the only social responsibility of an organization was to increase its profits and that resources allocated to CSR are better spent on increasing company efficiency – from a social perspective as well. During the 1970s, the concept of social responsiveness shifted the debate away from social obligation to managerial processes. This concept was therefore seen as valid, in directing managers toward a clearer policy development and implementation (Wartick & Cochran, 1985). Frederick (1994) described social responsiveness as the capacity of a corporation to respond to social pressure. In contrast, Carroll (1979) previously argued that social responsiveness was inadequate to replace the concept of CSR as a whole, stating that it is rather more concerned with the style of responses than with the kinds of issues that ought to be addressed. He adds that, although

corporations can be very responsive to social issues, they may fundamentally act irresponsibly or unethically in the process.

In the late 1970s, Carroll (1979) introduced the theory of corporate social performance, which refers to the outcome of business behavior. This concept was further constructed in four multi dimensions: 1) economic, 2) legal, 3) ethical, and 4) discretionary responsibility. Consequently, Carroll (1979) developed a four-dimensional pyramid model of social responsibility stating that, CSR entails four kinds of dimensions: the economic, legal, ethical and philanthropic dimensions. Later, Carroll (1991) expanded the definition and perceived that the social responsibility of business, encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. He emphasized that for social responsibility to be complete, businesses must embrace the full range of obligations they have to society. In a more pragmatic and managerial terms, businesses ought to strive to make profit, obey the law, be ethical, and be good corporate citizens (Bozkurt & Bal, 2012) in order to curtail the impact caused by their operations especially to stakeholders. With reference to the definition, it is assumed that corporations are expected to properly balance the different responsibilities that confront them in the business environment and in certain situations, must voluntarily go beyond their immediate financial gains and the mere compliance with mandatory obligations of the legislation or other rules of the game (Halme et al., 2009; Kuznetsov, Kuznetsova & Warren, 2009; Windsor, 2006).

Besides, these early meanings associated with the advancement of the concept of CSR many new definitions have been proposed. Literature provides that, the most commonly used definition of CSR was proposed by the World Business Council for Sustainable Development (1999), as the continuing commitment by business to behave ethically and

to contribute to economic development whilst improving the quality of life of the workforce and their families as well as that of the local community and society at large. Steiner and Steiner (2006) also viewed CSR as the duty a corporation has to create wealth by using means that avoid harm to protect the assets of the society. The European Commission (2001) on the other hand, gave a more concise definition of CSR as the voluntary integration of social and environmental concerns in an organization's daily business operations and interaction with their stakeholders (cited in Benoit-Moreau & Parguel, 2011, p. 102). Thus one may surmise that this voluntary obligation extends to all stakeholders in the business arena.

In the developing context, the concept have also been defined variously by researchers. For instance, Atuguba and Dowuona-Hammond (2006) in a broad sense defined CSR as the relationship of organizations with society as a whole, and the need for organizations to align their values with societal expectations. This definition indicates that organizations do not live in isolation, hence their actions must be in congruence with the values of the larger society in which they operate and are a part of. To Ofori and Hinson (2007), a socially responsible business is one that strategizes to adopt business practices and policies that extends the minimum legal requirements and contributes to the welfare of its crucial stakeholders. They emphasized that companies that adopt CSR must formulate a comprehensive set of policies, practices and programs that are integrated into the operations and decision-making processes of the company. To them, customers, employees, business partners, communities, and investors are the key dimensions of CSR. In addition, Amponsah-Tawiah and Dartey-Baah (2011) defined CSR as the strategic decision of an organization to voluntary act upon the social factors that have the potential of militating against the fulfillment of corporate goals.

Although the debate regarding firms' responsibilities to society and how they relate have been ongoing for several years, it appears there is no universally accepted definition of the concept of CSR (McWilliams & Siegel, 2001). Kakabadse, Rozuel and Lee-Davies (2005) suggested that this may be relatively associated with the fact that individuals within and outside the field of CSR adopt, support as well as defend the different meanings given to the concept (i.e. ranging from Corporate Social Responsibility to Sustainable Development, from Business Ethics to Corporate Social Contract, from Corporate Accountability to Business in Society and from Corporate Citizenship to Corporate Governance) without taking into consideration its literary translation.

Also, the different terminologies given to the concept in the academic and business domains may have resulted to the disagreement. For example, academics employ the terms Corporate Social Responsiveness or Corporate (Social) Performance (CSP or CP) whilst the terms Corporate Social Responsibility (CSR) and/or Sustainable Development are considered central issues by businesses and representatives of civil society, with the value of partnerships, which has to do with the involvement of stakeholders (Lépisier, 2001). However, despite all these definitions, even without dwelling on a universally accepted definition, the concept still prevails and the increasing debate also continues in earnest.

### **2.2.1 CSR in Ghana**

In Ghana, although it appears less attention has been given to the concept of CSR, it is increasingly growing by the years in both academia and practice cycles. Whilst some researchers attributed this increase largely to the advent of globalization, liberalization of the economy and the obligation of government to the golden age of business (Atuguba & Dowuona-Hammond, 2006), others underscored that in order to achieve national and

international competitiveness, globalization and competition, institutions in Ghana found it essential to fully align their operations with the present-day notion of CSR (Ofori, 2010). Besides other academicians emphasized that CSR in Ghana evolved as a result of organizations being called upon to engage in social and environmental activities in support of government, since it was reasonably impossible for only government by then, to meet the varied interests of the society at large (Amponsah-Tawiah & Dartey-Baah, 2011; Ofori, 2010).

Activities of CSR in Ghana have been identified to be mainly organized by large scale multi-national firms, particularly those operating in the extractive, banking, telecommunications and manufacturing sectors of the economy (CSR Weltweit, 2012). Compared to the global context, the operations of specifically the extractive industry are mainly seen to have direct influence on the environment and the local communities in which they operate (Amponsah-Tawiah & Dartey-Baah, 2011). However, in spite of the harm caused, it has been observed that large scale manufacturing (e.g. Unilever, Nestle), telecommunication (e.g. MTN, Vodafone) and mining (e.g. Tullow Oil, Goldfields, and AngloGold) firms in Ghana have been much more proactive in offering some care and support to the communities in which they operate as well as instrumental in the social development of the country (Amponsah-Tawiah & Dartey-Baah, 2016; Lichtenstein, Badu, Owusu-Manu, Edwards & Holt, 2013). Indeed although local firms are familiar with the practices of CSR and undeniably practice CSR to some extent, internationally-connected firms seem to have a better understanding of the many attributes of CSR and how these could be utilized strategically in order to attain competitive advantage (Ofori & Hinson, 2007).

Accordingly, whilst there seems to be no comprehensive CSR documented legislation, there appears to be some relevant laws, policies, initiatives and practices that exist to serve as CSR frameworks for corporate entities in the country (Anku-Tsede & Deffor, 2014). Ayine (2008) highlighted that these CSR policies in Ghana seem to differ across industrial sectors. Nonetheless it have been observed that due to the inherent lapses on the part of the regulatory bodies in charge of implementation of the policies, it appears most firms are unfamiliar and unaware of the presence of these regulations and the consequences associated with non-compliance thereof (Anku-Tsede & Deffor, 2014).

Just as it is globally, different sectors in Ghana undertake different CSR activities based on their perspectives. For instance, in the extractive industry although firms adopt a similar approach to undertaking a CSR initiative, their activities tend to differ from one organization to the other, as well, they report their CSR in either annual reports, monthly or quarterly newsletters in order to demonstrate transparency and good corporate citizenry (Amponsah-Tawiah & Dartey-Baah, 2016). On the other hand, even though the manufacturing industry mostly center their CSR activities on education and health, they seem to be the only industry to lend extension services to producers of their raw materials. Besides, according to Amponsah-Tawiah and Dartey-Baah (2016) although the focus of CSR activities in the telecommunication sector is diverse, they embark on more projects in the arena of entertainment as compared to the areas of health, education and economic empowerment. They also emphasized that the banking industry engage in similar CSR activities as the telecommunication sector mainly to increase their clientele base, however they seem not to have a clear cut strategic policy directing their CSR activities leading to the poor banking services. In Ghana today, although a lot of firms recognize the need and embrace the practices of CSR, it appears there is still more room for improvement.

### **2.2.2 Nature and definitions of CSR reporting**

Nowadays, there is an increasing interest from both educational and practice spheres regarding the nature and orientation of CSR. Efforts have allowed building a complex, multidimensional and subjective concept, related to different philosophical and business management theories. This theoretical development as a result led to achieving a consensus, by allowing an emerging introduction of the concept into the business strategy of many companies (Bollas-Araya & Seguí-Mas, 2013). The development of CSR reporting appears to have gone through several shifts (Kolk, 2010). In the 70th year of the 20th century it was observed in the European world that traditional financial reporting was supplemented with some social report, but in the 80th year of the same century concerns were raised towards emissions and waste generation vis-à-vis the environment, thus in the 90th year, a common report was generated of which traditional financial reports were published together with environmental and social reports (Hahn & Kühnen, 2013).

Numerous explanations have been associated with the term CSR reporting. Whilst some scholars describe the term as a primary communication vehicle for companies' environmental reporting (see, Freedman & Jaggi, 1986; Kelly, 1981) others view the term as the provision of non-financial data to different stakeholders concerning CSR actions undertaken by companies (Hackston & Milne, 1996). The term on the other hand has been referred to as a means of communicating a wide range of company reporting to stakeholders (Guthrie, Petty, Yongvanich & Ricceri, 2004) which serves as a check for stakeholders to find out whether their demands have been fulfilled (Aras & Crowther, 2007). However of the recent definitions, KPMG (2008) viewed CSR reporting as the means by which organizations evaluate, disclose and demonstrate accountability to stakeholders in order to achieve sustainable development. Also whilst Sawani et al.

(2010) described CSR reporting as a major element of the process of communication regarding firms and their stakeholders, Tate, Ellram and Kirchoff (2010) defined the term as a medium through which environmental and social actions as well as strategies of companies are communicated to the public. In a thorough analysis of these definitions, the common message is that these reports are disclosed and directed towards stakeholders. Just as Quiroz-Onate and Aitken (2007) emphasized, reporting CSR information must be concrete and directed to stakeholders.

Ordinarily, the concept of CSR reporting have been used interchangeably with the terms triple bottom line reporting, sustainability reporting, Environmental, Social and Governance (ESG) reporting, sustainable development reporting etc. since different companies adopt different terms, depending on the firms history, geographic setting, the actual form as well as format for reporting, and the needs and expectations of the intended target audience (KPMG, 2008). Literature also calls attention to the fact that the issue of CSR reporting is time and country specific (Gray et al., 1987). Indeed, although CSR reporting have gained significant attention among business practitioners, there seems to be a lack of standardized criteria for reporting CSR (Bollas-Araya & Seguí-Mas, 2013).

A process model was however presented by Adams and McNicholas (2007) in developing CSR reports. According to them, companies must firstly obtain feedback from employees as well as stakeholders pertaining to the reports. Secondly, the method used in developing Key Performance Indicators (KPIs) must be enhanced and connected to the company's vision, strategy and purpose. Thirdly, it must be observed in other sectors, their companies' best practice reports and examples of reporting whilst the last step is to refer reporting to guidelines to ensure that they meet the requirements of those

guidelines. Although literature highlights that there are no clearly designated laws governing CSR reporting in many countries around the world, KPMG (2008) indicated that generally there are several guidelines used in CSR reporting. These include the Global Reporting Initiative (GRI), Coalition for Environmentally Responsible Economics (CERES), the ICC Business Charter for Sustainability Development (ICC), the ACCA Sustainability Reporting Guidelines, Sustainability Reporting Guideline, Public Environmental Reporting Initiative (PERI), and the Australian Guideline for Triple Bottom Line Reporting (G100). However, in preparing CSR reports, Global Reporting Initiative (GRI) became the preferred guidelines adopted by majority of companies all over the world. For instance, Hedberg and Malmberg's (2003) study revealed that Swedish companies use GRI guidelines for reasons of increasing credibility of their CSR and providing a template for designing CSR reports.

### **2.2.3 CSR reporting approaches**

In literature, it has been argued that firms adopt several different ways to report their CSR activities. These include; websites, internal channels, codes of conduct, social reports, thematic reports, stakeholder consultations, prizes and events, cause-related marketing, product packaging, interventions in the press, on television and points of sale (Birth, Illia, Lurati & Zamparini 2008; Romenti, Illia & Zyglidopoulos, 2010). For example, studies by Hinson et al. (2010) revealed that companies make known their CSR actions through various print and electronic media like the newspapers, yearly reports, television among others. Gray, Owen and Adams (1996) emphasized that the primary medium for the reportage of economic, social and environmental performance of companies to stakeholders is the social report.

However, Thorne et al. (2014) maintained that the two types of reporting mostly entails either the production of stand-alone reports or the production of information reported within a company's annual report. The former, according to Dilling (2010) also known as "environmental reports", "sustainability reports" or "citizenship reports", mainly characterize, separate compilations of gen about firms CSR activities issued voluntarily but not always. Thus, they are separate documents designated for the purposes of reporting only CSR information of companies. The latter also referred to as embedded CSR reports, include the generation of CSR information within a company's annual report. Such reports comprise of both voluntary and mandatory information. Thorne et al. (2014) stressed that irrespective of the terminologies associated with these reporting types, they all meet three standards: an emphasis on issues pertaining to the environment and society, the distinction of CSR reports from the yearly reports of firm's as well as content that is not binding by prescribed reporting prerequisites.

Regardless of firms use of these two reporting types, annual reports were noted to be the mostly used channel through which companies disclose their CSR information (Gao, 2011) since it is the most important medium acceptable by the wide range of stakeholders (Buhr, 1998 cited in O'Dwyer, 2003). For instance, Adams, Hill and Roberts (1998) found that firms in Germany, France, Switzerland, UK and Netherland generally disclose their CSR actions through annual reports. Kent and Chan (2003) stressed that the motives behind the use of annual reports by companies is to reduce the cost of disclosure since they are the type of reports keenly required by pressure groups and the main source of corporate communication to investors. He emphasized that reporting CSR activities through other channels such as the popular press are susceptible to the odds of journalistic interpretations and distortions, whilst disclosure in annual reports are completely controlled by management.

Furthermore, scholars emphasized that CSR reporting styles adopted by companies in the earlier stages were mainly mandatory in nature. However, today they have become more detailed and focused in standalone reports (Geoffery, 2007; Holland & Foo, 2003). Also, the responsibility of corporations to be accountable for their actions led to an increase in voluntary CSR reporting in recent times (KPMG, 2011 cited in Jain, Keneley & Thomson, 2015). Jain et al. (2015) accentuated that there has been an increasing argument surrounding the issue of voluntary and mandatory CSR reporting. According to them, advocates in support of voluntary reporting point to an increase in the reportage of firms CSR information in the past decade and that firms have differing motives for reporting their CSR activities without coercion. Those against this argument question the quality of information disclosed and posit that firms disclose their CSR information only to close the legitimacy gap (Cowan & Gadenne, 2005). On the other hand, Gray et al. (1996) also indicated that firms report their CSR activities to improve accountability. This assertion however aroused criticisms as Clarkson, Overell and Chapple (2011) underscored that in order to simply assess companies' activities on social and environmental issues, many companies' out of their own volition provide reports on CSR to their stakeholders as it is now extensively acknowledged by corporate leaders that companies need to accept a broader responsibility.

Indeed, there are various reasons why companies engage in CSR reporting. According to Gray et al. (1996), it is the responsibility of organizations to make the public known about their CSR activities by communicating through formal documentations and that companies use such reports basically to construct their social imagery. In addition, Mele (2004) emphasized that companies engage in CSR reporting basically to enhance their reputation and achieve competitive advantage. Gao (2011) observed that since the Chinese developed economic markets, their companies report their CSR information in

response to social and environmental criticisms from overseas. From the developing context, based on a series of interviews with senior executives plus content analysis of firm's environmental reports, some researchers examined the reportage of CSR practices of Bangladesh (see Belal & Owen, 2007; Islam & Deegan, 2008). These studies revealed that due to perceived pressures from external forces (demands from international buyers) firms in Bangladesh react by generating environmental and social reports, so to be seen as acting in accordance with the social standards required by global acquiring firms.

It has also been observed that the channels through which CSR information of companies' are reported have changed from the use of the documented hardcopy to the use of technology such as the internet (Rikhardson & Bang, 2002). For example, Lii and Lee (2012) observed that over 80 per cent of Fortune 500 firms publish CSR reports on their web sites. Empirical analysis of Chatterjee and Zaman (2008) proved that more of companies' environmental information were disclosed on their web sites compared to their annual reports. However, in exploring the development and evolution of sustainability reports and assurance practices, Sawani et al. (2010) revealed some inconsistent findings. Thus, most of the CSR information reported were integrated in annual reports with no assurance statement as a result of absence of legislations and low levels of awareness. Campbell, Craven and Shrivies (2003) argued that companies currently adopt different mediums in reporting their CSR activities because of the need to satisfy targeted stakeholders.

#### **2.2.4 Content of CSR information reported**

Several studies have been undertaken to understand the content of CSR information reported by companies (Capriotti & Moreno, 2007; Guthrie, Cuganesan & Ward, 2008; Janggu, Joseph & Madi, 2007). These studies show that the central issues reported are

country and industry specific. For example, Stewart's (2005) study based on the GRI reporting criteria in the mining industry in Australia revealed that the rate of recurrence on environmental, social and economic performance indicators were usually low in their reports. This supports the findings reported in Hong Kong by Gao, Heravi and Xiao (2005). Lee (2013) on the other hand examined CSR disclosure among large Korean companies and found that there were high level of companies recognizing the local community, environment and ethics in their disclosure.

Furthermore, a critical discourse analysis was conducted by Nielsen and Thomsen (2007) to find out what corporations' say and how they say it when reporting CSR. They found that, the six selected companies investigated used different strategies for reporting their CSR since their annual reports were different with respect to the topics at one hand and dimensions and discourses expressed in terms of perspectives, stakeholder priorities, contextual information and ambition levels on the other hand. The study emphasized that this was because corporations seem to be enveloped in different configurations of interest stemming from diverse institutional affiliations, such as government, regional institutions and NGOs.

Also, in a cross sectional survey conducted between 2004 and 2005, Khan, Halabi and Samy (2009) examined CSR reports of companies and perceptions of users of CSR disclosure issues. Findings showed that whilst companies engaged in some voluntary CSR reporting, these reports did not reflect or were not sufficient to measure up to the social responsiveness of organizations. Meanwhile, user groups were also in favor of companies disclosing their CSR information and encouraged more disclosures. More so, Gao (2011) analyzed the CSR reports of listed companies in one of the largest emerging markets in China. The study revealed that whilst 79% of companies held a positive

attitude to taking on social responsibilities, no company held a negative attitude. Also, the social issues and issues of stakeholders were addressed in the CSR reports of companies. In addition, industrial firms showed higher tendencies to address and balance the interests of stakeholders than service firms.

### **2.2.5 CSR reporting: pressure groups, influential factors and determinants**

It has been noted that the growing pressure from different stakeholders and the benefits gained from reporting organizations' social activities account for the reasons why in the 1990s, organizations' all over the world began to issue their social reports (Gao, 2011). It is estimated that the quality of information reported on companies CSR can be determined by pressure from stakeholders (Utama, 2011). Holcomb, Upchurch and Okumus (2007) indicated that one of the many pressure groups that push organizations to report their CSR is the regulatory bodies, for instance, the European Union (EU) initiated the European Modernization Directive which calls for all member countries to form a legislation with the sole objective of reporting issues in relation to the environment and employees. In addition, companies listed on the stock exchanges face increasing pressure from these agencies to disclose their CSR activities (Idowu & Papasolomou, 2007). In South Africa for example, all listed companies are expected to conform to a CSR-based code of conduct which is a requirement by the Johannesburg Stock Exchange. In the UK, corporate entities are also facing increasing pressure from other key organizations to disclose their CSR activities (Gao, 2011).

Furthermore, investment rating systems such as the FTSE4 Good Index, the Community's Corporate Responsibility Index and the Dow Jones Sustainability Index is also seen as a source of pressure because insurance companies, banks and other different funds make investments using such indexes (Knoepfel, 2001). Non-governmental

organizations (NGOs) such as the World Life Fund, Green Peace, Amnesty International, Friends of the Earth, among others also put pressure on companies to disclose their CSR information (Gao, 2011). However, empirical studies on stakeholder pressure as determinants of CSR reporting is remarkably limited. Of the limited studies, Golob and Bartlett (2007) found in a study covering Australia and Slovenia that the content of sustainability reporting was influenced either by the behaviors of shareholders or stakeholders.

In literature, reporting CSR has attracted significant attention from the academic community in recent years (Fifka, 2012). As a result, there is a lot of empirical studies (see for e.g. Adams, 2002; Kolk, 2010; Kolk & Perego, 2010; etc.) of which majority have investigated the determinants of CSR reporting and explored whether internal factors such as size and industry or external factors such as pressure from stakeholders influence reporting. The factors found in business literature that determine the reportage of CSR information of companies include; the company size, country of head office, profitability, leverage, auditor and industry of the firm (Adams et al., 1998; Frankel, McNichols & Wilson, 1995), the attitudes of senior executives, the existence of CSR committee (Cowen, Ferreri & Parker, 1987), the age of corporations (Roberts, 1992) capital intensity, availability of resources and the strategic intention of firms to reach specific interest groups (Sutantoputra, 2009).

Other studies found that big companies and more politically visible firms are more likely to disclose sustainability information because they are more complex and their stakeholders require more information (see for example, Andrikopoulos & Diakidis, 2007; Siregar & Bachtiar, 2010). Siregar and Bachtiar (2010) emphasized that this was because larger firms have more resources to devote to social activities thus, they have a

larger asset base over which to spread the costs of social responsibility as well as face more pressure to disclose their social activities. Additionally, Bradbury (1991) and Craswell and Taylor (1992) found that foreign investors demand higher disclosure. Although Siregar and Bachtiar's (2010) study found consistent results they emphasized that such findings may be due to the incapacity of foreign investors to exercise greater monitoring due to lower level of ownership or the fact that foreign investors may not be concerned with CSR because of their short-term investment horizon in public firms in Indonesia.

Additionally, Adams and McNicholas (2007) showed that CSR reporting is influenced by the nature of ownership. Consequently, other numerous scholars emphasized that companies exclusively operating in home countries are less likely to embrace the practices of CSR reporting compared to multinational corporations (see for example, Chapple & Moon, 2005; Golob & Bartlett, 2007). However, although developing countries' response to the information demands for CSR communication have been examined in a number of studies (Dong et al., 2014) some found inconsistent findings. For instance, Newson and Deegan (2002) revealed that 81% of disclosures reported by large multinational organizations which had their 'home base' in Australia, Singapore or South Korea failed to meet global concerns. On the other hand, Fernández-Feijóo-Souto, Romero and Ruiz-Blanco (2012) in their study found sector to be correlated with the quality of the sustainability reporting. Other scholars found consistent findings (see for example, Kolk & Perego, 2010; Simnett, Vanstraelen & Chua, 2009). More so, with respect to profitability, Lev and Penman (1990) identified that profitable companies might choose to disclose their CSR information voluntarily. Hinson et al. (2010) were of the same view that firms are more likely to communicate their CSR information in areas where there tends to be immediate gain. However, other empirical evidence found

contradictory results and did not report any significant connection in the nexus between environmental performance and environmental disclosure (see for example, Clarkson, Li, Richardson & Vasvari, 2008; Fernández–Feijóo–Souto et al., 2012).

### **2.2.6 Benefits of CSR reporting**

There is a lot of deliberation among scholars about the benefits companies derive from reporting their CSR information (Nyahunzvi, 2013). Indeed there are several benefits companies can achieve when they are perceived as socially responsible (Idowu & Towler, 2004) and engage in CSR reportage. It has been observed by some scholars that CSR reporting is a valuable tool companies can use to better manage their stakeholders in order to attain organizational legitimacy or to legitimize their operations (Colleoni, 2013; Gao, 2011; Michelon, 2011; Othman et al., 2011). For instance, the study carried out by Hedberg and Malmberg (2003) on Global Reporting Initiative (GRI) and corporate sustainability reporting in Sweden, revealed that companies in Sweden issue corporate sustainability reports essentially to seek organizational legitimacy. Other studies by Laine (2009) and Tilling and Tilt (2010) in different contexts found consistent findings.

Furthermore, it has also been observed by several scholars that companies who engage in CSR reporting, take advantage of reporting their corporate philanthropic activities and use it as an impression management tool to enhance their image or to achieve corporate reputation (see for example, Branco & Rodrigues, 2006; Campbell, Moore & Shrives, 2006; Castelló & Lozano, 2011; Coupland, 2006; Cour & Kromann, 2011; Hooghiemstra, 2000; Ihlen, 2009; Simnett et al., 2009; Zulkifli & Amran, 2006). Other scholars such as Colleoni (2013), Gao (2011), Michelon (2011) and Othman et al. (2011) are of the same view that in order to achieve corporate reputation, companies use their

CSR reports as a valuable tool for stakeholder management. More so, a study conducted by Idowu and Pappasolomou (2007) revealed that companies in the UK issue CSR reports in order to build good reputation for business. To Weber (2008), the building of reputation implies a value judgment of stakeholders, which is influenced by comprehensible actions and appropriate communication by the company.

Additionally, reporting CSR is also viewed as a means of communicating to stakeholders, the social and environmental initiatives of companies (Golob & Bartlett, 2007) in order to satisfy the demands made by stakeholders (McWilliams & Siegel, 2001) and influence the perception of powerful stakeholder groups (Belal & Owen, 2007). For instance, in the UK it was found that, one of the many benefits companies derived from reporting their CSR was the satisfaction realized by stakeholders as a result of their demand for CSR information (Idowu & Pappasolomou, 2007). Amran and Siti-Nabiha (2009) emphasized that, reports on CSR has become one of the widely used channels for which organizations disseminate activities they have embarked on throughout the year to their stakeholders. Moreover, in literature CSR reporting is perceived to improve company accountability (Branco & Rodrigues, 2006; Campbell et al., 2006), serve as a remedy to the competitive environment (Finch, 2005) and a means of attracting not only competent employees, but also local and international investors (Holcomb et al., 2010; Skinner & Mersham, 2008).

Researchers also identified that companies disclose their CSR information in order to safeguard their interests in the event of socially irresponsible conduct (Brammer & Pavelin, 2004), manage risks (KPMG, 2008) ensure business survival (Branco & Rodrigues, 2006; Campbell et al., 2006) and resolve the deficiencies of reporting compulsorily (Bushee, Matsumoto & Miller, 2003). Although leverage and profitability

on the other hand has also been associated with voluntary CSR disclosure for the purpose of lowering cost of capital (Frankel et al., 1995; Lev & Penman, 1990), researchers such as Clarkson et al. (2008) and Fernández–Feijóo–Souto et al. (2012) did not find any effect in the nexus between environmental performance and environmental disclosure. In the same vein, using Spanish listed firms, a study by García-Benau, Sierra-Garcia and Zorio (2013), to find out the behavior of businesses with regards to CSR reporting, especially in the context of a financial crisis showed that, the number of CSR reports rather increased significantly with the crisis. According to them, it was expected that the crisis faced should have been a determinant for many decisions taken by management which include the cutting of costs and reduction of expenditure. However the crisis situation rather led businesses to redefine their strategies in order to ensure survival.

### **2.2.7 Challenges associated with CSR reporting**

In literature, several challenges have been found to be associated with CSR reporting. According to Diamond and Verrecchia (1991) and Verrecchia (2001) one of the major challenges associated with voluntary CSR reportage by firms, is the fear of setting a guide for disclosure of CSR activities. Not only that, the content and form of this guide is also seen as embedded with problems (DeTienne & Lewis, 2005; Lenzen, Dey & Murray, 2004), deficient and credibly low (Belal, 2001). In consequence, legislations and policies (Moir, 2001), guidelines, principles and standards were introduced in order to resolve these challenges associated with reporting. Perrini (2005) and Ballou, Heitger, Landes and Adams, (2006) underscored that currently the most fundamental reporting regulation widely supported by investors, trade unions, not-for-profit organizations, accounting regulatory bodies as well as other different groups, may be the GRI-based reporting. However, it is also mostly seen as not only costly and problematic to properly

execute (Downing, 2003) but also perhaps, very difficult to retain in the future (Dye, 2001). A study carried out by Adams and McNicholas (2007) revealed that, the lack of insight on how to incorporate CSR reporting into the strategic plans of companies, the difficulty in selecting the right reporting style and guidelines, the lack of understanding of the difference between financial and economic indicators as well as lack of knowledge and experience are the most important hindrances to developing CSR reports.

Other challenges associated with reporting CSR presented in literature are the cost of agency (Nagar, Nanda & Wysocki, 2003), bad news (Francis, Philbrick & Schipper, 1994) and potentially hostile reactions from the media, campaign groups and others (Dawkins, 2005). Further, Dawkins (2005) and Abugre (2011) opines that one of the major challenges faced by firms, is their inability to communicate effectively their CSR information to stakeholders which results in stakeholders being skeptic towards company CSR messages disclosed. For instance, the study by Skouloudis, Evangelinos and Moraitis (2012) on airports' CSR reports and stakeholder engagement showed that, CSR reporting was not a common practice among these international airports, thus they provided minimal reports of their CSR performance. They emphasized that the efforts made by the airports to demonstrate their accountability was compromised since vague and patchy disclosures were provided, which left room for skepticism on the quality and relevance of such reports. Furthermore, a content analysis framework used to investigate the comprehensiveness of CSR reporting revealed that although there are some indications that CSR reporting has recently achieved greater attention in Belgium, Belgian listed companies do not report entirely on their CSR behavior, as a result, their annual reports left the accountability demands of their stakeholders' largely unanswered (Bouten, Everaert, Liedekerke, Moor & Christiaens, 2011).

More so, despite efforts made by firms to disclose their CSR information, some scholars criticize these many reports for being self-laudatory, selective and strategic in character (Hooghiemstra, 2000), anecdotal in character (Tulder & Zwart, 2005), arbitrary (Belal, 2001), ad hoc, scattered and unstructured (Tsang, 1998), superficial and inconsistent in quality (Kolk, 2004). This is because according to Holder-Webb, Cohen, Nath and Wood (2009) most of the information voluntarily disclosed in sustainability reports sheds only a positive light on the particular company. It could be assumed that most of the firms report such positive aspects in order to escape the challenge of being answerable to their stakeholders. However, according to the GRI guidelines, the quality of sustainability reporting and the materiality of a certain aspect to be reported, depends on a balanced reflection of both positive and negative aspects of a company's performance (GRI, 2011b cited in Hahn & Kühnen, 2013).

### **2.2.8 Who is a stakeholder?**

There are different opinions and definitions associated with the question of who can be called a stakeholder. These definitions however range from broad to narrow views. One of the earliest definitions of stakeholders from an instrumental viewpoint was defined by the Stanford Research Institute (SRI) in 1963, as those groups without whose support the firm would cease to operate (cited in Freeman, 1984). However, the most classical and comprehensive definition of stakeholders was provided by Freeman (1984) as those groups or individuals who can affect or can also be affected by, the accomplishment of organizational goals. Freeman's definition was considered broad in the sense that it does not state the type of relationship that firms have with their stakeholders nor does the definition take a position on whether the stakeholders' claims are legitimate or not (Aaltonen, 2010). Nonetheless, Goodpaster (1991) noted that Freeman's definition

actually signifies two categories of stakeholders: strategic and moral. To Freeman (1984), strategic stakeholders are crucial people who are able to influence the firm. Moral stakeholders on the other hand are considered, those who are affected by the operations of the firm (Frooman, 1999).

In addition, Clarkson (1994) defined stakeholders through risks. He distinguishes between voluntary and involuntary stakeholders. To him, voluntary stakeholders bear some form of risk as a result of having invested some form of capital or something that is of value in a firm whereas involuntary stakeholders are placed at risk as a result of activities undertaken by firms. He further emphasized that without the element of risk there is no stake. Carroll and Buchholtz (2000) on the other hand viewed stakeholders as an individual or a group that has one or more of the various kinds of stakes in a business. To O’riordan and Fairbrass (2008) stakeholders are individuals or groups whose actions can affect and be affected by the activities of a firm.

Previous literature has proposed a variety of different categories of stakeholders. For instance, Savage, Nix, Whitehead and Blair (1991) classified stakeholders into *claimants* and *influencers*. According to them, stakeholders can decide to either join forces with or threaten the organization. Stakeholders have also been categorized into *internal* and *external* stakeholders (Eesley & Lenox, 2006; Freeman, 1984). The former include employees, customers and stockholders whilst the latter comprise of the community activists, media, advocacy groups and other NGOs. Frooman (1999) on the other hand classified stakeholders, as those who are either *resource providers* for the firm, or those who are *dependent* on the firm. Despite all these various classifications of stakeholders, Fassin (2009) criticized them as ambiguous. He posit that a clear distinction should be made between *stakeholders*, *stakewatchers* and *stakekeepers*. To him, stakeholders are

those who have an actual stake in the firm whilst stakeholders such as the community, pressure groups and unions are those who protect the interests of real stakeholders. He also defined stakekeepers on the other hand as independent regulators such as government, regulatory agencies and certification organizations that have no stake in the firm but have influence and control over the firm.

It has been observed by numerous people that pressure from stakeholders for organizations to be responsible and accountable in managing their sustainability performance has driven organizations to engage in CSR reporting (Dawkins & Ngunjiri, 2008; KPMG, 2005). For example, several scholars are of the view that organizations stakeholders such as consumers, employees, the community among others, put pressure on organizations to disclose their CSR activities (Belal & Owen, 2007; Harris, 2007). Investors on the other hand are also viewed as powerful people who can influence firms operations since they are interested in socially responsible investments (Friedman & Miles, 2001). Sawani et al. (2010) emphasized that, CSR information reported by firms enable stakeholders to identify the amount of resources used and how they are being utilized.

Despite consistently arguing for a positive association between stakeholder pressure and CSR reporting, research on stakeholder pressure as determinants of sustainability reporting is remarkably scarce (Hahn & Kühnen, 2013). Buhr (2002) inferred from interview data that reporting is usually initiated by firms, following insufficient communication with their stakeholders. However, according to Sinclair-Desgagne and Gozlan (2003) pressure from stakeholders can influence the quality of information reported by firms. For instance, a study by Golob and Bartlett (2007) covering Australia and Slovenia revealed that the content of their sustainability reports was influenced

either by their shareholders or stakeholders traditions. In a similar vein, results obtained from a study by Prado-Lorenzo et al. (2009) showed that, the influence exerted by certain stakeholders such as the government and creditors have an important effect on the publication of a CSR report specifically when the disclosure of standardised and impartial information is taken into account. They explained that, more politically visible firms seem to disclose more information on their social responsibility aimed at reducing political costs. To them, these firms usually tend to carry out economic activities linked to sensitive sectors of the environment, which leads to greater government interest.

### **2.2.9 Stakeholder management attributes and salience**

According to Freeman (1984) the term stakeholder management involves the distribution of organizational resources in such a way as to consider the impact of such distribution on varied groups within and outside the firm. He stressed that it is voluntary to manage stakeholders and that organizations with an expressed stakeholder management skill, must develop and implement communication processes with their diverse stakeholder groups and negotiate with them about critical matters and aim to sign voluntary agreements with them. Scholars such as Jones (1999) supports Freemans' definition. However, to Post, Preston and Sachs (2002) stakeholder management has to do with the development and implementation of organizational policies and practices that takes into consideration the objectives and interests of all relevant parties, all of whom are entitled of consideration in managerial decision making. They emphasized that managers are expected to monitor and manage their relationships with their different stakeholder groups. Which in turn will create synergies among them since one of the most important responsibilities of top managers which is an element of stakeholder management is the

establishment of “dialogue” with their diverse stakeholders (Wiedemann-Goiran, Perier, Lépineux & Tiberghien, 2003 cited in Kakabadse et al., 2005).

Furthermore, Carroll (1991) underscored that the ultimate aim of managing stakeholders is to accomplish a ‘win-win’ outcome. This assertion was further illuminated by Lee (2013) that the dominant principle of stakeholder management is to achieve maximum overall cooperation between the firm and the wide range of stakeholder groups, with different stakes in the firm, taking into account the firms goals and simultaneously dealing with issues affecting their stakeholders. According to him currently it has been perceived that majority of companies understand the primary significance of managing key stakeholder relationships since the doctrine of stakeholder management drives managers to aim at outcomes that optimize their performance for and balance the conflicting interests of their multiple stakeholders rather than maximizing profit for only shareholders. There are several benefits companies derive when they effectively manage their stakeholders. For instance, empirical studies by Torres, Bijmolt, Tribó and Verhoef (2012) shows that sustainability stakeholder engagement has a positive effect on brand value and enhances the credibility of the company. However, regarding consumers, positive beliefs in sustainability are associated with a greater likelihood of purchase and bigger loyalty to the company in the long term (Du et al., 2007). In addition Sen, Bhattacharya and Korschun (2006) posit that some of the benefits companies can derive from a proper stakeholder management include positive effects not only on employees but also investors.

It has been observed by several scholars that different guidelines, lists and identification frameworks and categorization schemes have been suggested by many researchers to classify stakeholders (Agle, Mitchell & Sonnenfeld, 1999; Mitchell, Agle & Wood,

1997). Previous studies of stakeholder theory suggest that different stakeholder groups weigh the company's social and environmental performance dimensions differently and put different emphases on a company's CSR issues, indicating the influence of stakeholder heterogeneity on a company's CSR performance (Belal & Owen, 2007; Pirsch, Gupta & Grau, 2007; Wang & Juslin, 2013). According to Mitchell et al. (1997) the main aim of these different frameworks is to assist superiors to identify powerful stakeholders.

Nevertheless extended from Freeman's work, the most well-known work on stakeholder attributes and stakeholder categorization is Mitchell et al.'s (1997) stakeholder salience model which explains how companies prioritize among their various stakeholders. They viewed salience as the degree to which issues pertaining to particular stakeholder groups are addressed. According to Agle et al. (1999) and Mitchell et al. (1997) stakeholders possession of any of the three attributes: *power*, *legitimacy*, and *urgency* determines their degree of salience. The power of stakeholders according to Salancik and Pfeffer (1974) has to do with the ability to generate desirable results. Thus, this kind of power that a stakeholder wields is seen to positively influence the operations of the firm. To Pfeffer and Salancik (1978) this attribute stems from the firm's reliance on environmental actors for resources. Secondly, through legitimacy certain individuals or groups automatically become stakeholders of the firm (Carroll, 1993) whilst urgency on the other hand, aids firms in identifying stakeholder claims that demand abrupt attention and care within a specific time limit (Wartick & Mahon, 1994). According to Smith, Adhikari and Tondkar (2005), if a company's CSR report should be perceived as a tool to meet the expectations of stakeholders and manage good relationships with salient stakeholders in terms of power, legitimacy and urgency, then this will be advantageous to managers because the

more critical the stakeholders' claims are perceived to be, the higher the chances that the stakeholders demands will be addressed through such reports.

However, it is observed that the different strategies adopted to manage stakeholders and maintain legitimacy depends on the particular organization (Pellegrino & Lodhia, 2012). Kolk and Pinkse (2006) emphasized that decisions made by managers are usually influenced by stakeholders when there is assurance of their salience to ensure their existence. For instance, according to Mitchell et al. (1997) a stakeholder exhibiting both power and legitimacy, and with an urgent claim, means that managers must immediately prioritize and address such stakeholder's claim. This group of stakeholders are however classified as definitive stakeholders. To Mitchell et al. (1997) moderately salient stakeholders possess only two of the attributes thus they are classified as expectant stakeholders, who either lack power to enforce change or lack urgency or legitimacy to demand change. Lastly, latent stakeholders including dormant, discretionary, and demanding stakeholders, are perceived to have low salience because they possess only one attribute and have the least power to seek change (Mitchell et al., 1997). This model developed by Mitchell et al. (1997) have however been tested empirically by Agle et al. (1999), who examined the salience performance relationship on corporate social performance in US companies. Although one of the stakeholder attributes which is urgency has been criticized because of the little attention it has received in literature (Frooman, 1999). Agle et al. (1999) found that indeed, the stakeholder attributes of power, legitimacy and urgency are linked to the salience of stakeholders in the eyes of management. His study however supports significant relationships between government salience and corporate environmental performance; and community salience and community.

### **2.2.10 Stakeholder management strategies**

In literature, it is observed that organizations adopt different response strategies to managing their stakeholder groups which ranges from active to passive approaches (Aaltonen, 2010). According to Mishra and Suar (2010) these strategies adopted by managers determines how responsive they are towards their stakeholders. Prior literature identifies proaction, accommodation, defense and reaction as response strategies used by firms (Carroll, 1979; Clarkson, 1995) however in order to characterize an organization's strategy towards its stakeholders the terms reactive, defensive, accommodative and proactive were adopted by Wartick and Cochran (1985).

As a result, Clarkson (1995) developed the Reactive, Defensive, Accommodative, and Proactive (RDAP) scale to describe the strategies firms use to manage stakeholders as well as evaluate their performance. According to him, a proactive strategy is an active strategy that entails going beyond what is expected to address issues of stakeholders whilst accommodative strategy is considered more passive than proactive, whereby companies become less active in addressing issues of stakeholders. On the other hand, whilst companies are perceived to do only the least lawful things in order to address stakeholder issues in a defensive strategy, they are perceived to either fight against or disregard addressing stakeholder issues in a reactive strategy (Carroll, 1979; Clarkson, 1995; Wartick & Cochran, 1985).

Besides, similar strategies stemming from the institutional theory, was presented by Oliver (1991). He presented acquiesce, compromise, avoid, defy and manipulate as the five different strategies used by firms in response to pressure stemming from the institutional environment. Aaltonen (2010) however considered this pressure from stakeholders as an example of institutional pressure. According to Oliver (1991)

acquiescence may take different forms, such as habit, imitation, and compliance whilst the compromise strategy comprises balancing, pacifying and bargaining with external constituents. On the other hand, he defined avoidance as “the organizational attempt to preclude the necessity of conformity”; that is organizations may tend to hide their nonconformity in order to safeguard themselves from institutional pressures or escape institutional rules and expectations. He as well viewed defiance as an active form of resistance to institutional processes which may appear in the form of dismissal, challenge or attack whilst the active manipulation strategy deals with the purposeful and opportunistic attempt to co-opt and influence institutional pressures and assessments. Although these strategies discussed above are equally significant strategies firms adopt in enhancing stakeholder relationships, the study focuses on Morsing and Schultz (2006) CSR communication strategies of enhancing stakeholder relationships as they are of more relation to this study.

#### **2.2.11 CSR communication strategies used to manage stakeholder relations.**

Based on the classification of public relations models by Grunig and Hunt (1984), Morsing and Schultz (2006) developed three types of stakeholder relations in terms of how companies tactically communicate as well as enhance their relationships with their stakeholders which include the stakeholder information strategy; stakeholder response strategy; and stakeholder involvement strategy. In the early 80s, public relations theory claimed that 50% of all companies practiced one-way communication with regards to disclosing information to their stakeholders, whilst only 35% practiced either two-way asymmetric or two way symmetric communication processes (Grunig & Hunt, 1984). They emphasized that whereas one-way communication relates to the theory of sense

making, which builds public information on processes of sense giving, the two-way communication builds on processes of both sense making and sense giving.

Although in recent times some researchers agreed that the practice of one way communication is an acceptable approach adopted by firms for corporate communication today, it was criticized of being inadequate. Hence there was a growing need to develop two way communication processes of both sense giving and sense making of disclosing CSR messages. Although Grunig and Hunt (1984) presented a fourth public relations model which was a one-way communication model defined as ‘press agentry/publicity’ model, Morsing and Schultz (2006) criticized it as an approach that will lead to the disclosure of inadequate, misleading and half – true information about organizations just to receive positive stakeholder support. To them, although this fourth model may be beneficial to some particular people, it is inappropriate for CSR communication, thus the fourth model was further illuminated by them in order to put their three CSR communication strategies into perspective.

(i) Stakeholder information strategy

This type of strategy is always a one-way approach of firms communicating their CSR information to their stakeholders. Communication at this level is mainly seen as merely “telling” with the sole aim of disclosing CSR information as well as informing the public about the company without “listening” (Grunig & Hunt, 1984). It is assumed that stakeholders are influential as they can either support the company through their buying habits, trustworthiness and approval of the company, or oppose the company by way of demonstrations, striking or shunning the company (Smith, 2003).

According to Morsing and Schultz (2006) companies use these channels to 'give sense' to its listeners by informing them about its good intentions, decisions and actions because senior management is convinced that they are doing the right thing, and that the company merely needs to appealingly inform the general public so as to build and maintain positive stakeholder support. They emphasized that firms who practice this process participate in active press relation programs and concurrently produce information and news for the media, brochures, pamphlets, magazines, to inform the general public. Also, they do not involve their stakeholders in decision making neither do the company seek nor expect feedback from them. Additionally, the CSR focus of the firm is determined only by top management without the need for third party endorsements. It is perceived that the task of the department in charge of corporate communications is to ensure that a comprehensible and attractive information is disclosed (Riel, 1995). That is to say, the CSR message should convey, for example, how the CSR initiatives undertaken show shared concerns as well as linked to the core business in order to show organizational support (Scott & Lane, 2000).

(ii) Stakeholder response strategy

This strategy according to Morsing and Schultz (2006) assumes a two-way asymmetric communication whereby information flows to and from the public, of which the company only tries to change the perceptions and behaviors of their various publics. They stressed that, because the company needs third-party endorsement of their CSR initiatives, they try to demonstrate to their stakeholders how they integrate their concerns by making their corporate decisions and actions significant for them. Also, the corporate communications department is expected to identify relevant stakeholders and conduct opinion polls in order to make sense of where the company has positively improved and can improve its CSR efforts (Morsing & Schultz, 2006). Thus, the information gathered

from the public is perceived as feedback. They described stakeholders involved in this strategy as responsive because this strategy is a predominantly one-sided approach, as the company solely intends to convince its stakeholders of its attractiveness. They further argued that, the company only end up hearing its own voice being reflected back, because they ask stakeholders questions that invites answers on their CSR actions they want to hear. Therefore they concluded that although this strategy is perceived as two-way, it is actually a one-way communication process.

(iii) Stakeholder involvement strategy

This type of strategy assumes a dialogue with its stakeholders. According to Morsing and Schultz (2006) persuasion at this level comes from stakeholders as well as from the company, each trying to convince the other to adjust. That is to say, companies do not only seek to influence but also seek to be influenced by stakeholders, and therefore change when necessary. Superlatively, it is expected that either the company or its stakeholders will change as they engage in a symmetric communication. To Morsing and Schultz (2006) although this strategy espouse Freeman's stakeholder conceptualization, it also contradicts his stakeholder concept concerning the degree to which a company should change its CSR projects undertaken when stakeholders try to challenge existing CSR projects, and the extent to which a company should insist on its own opposing assessments. In consequence, they emphasized that rather than imposing a particular CSR initiative on stakeholders, firms should invite simultaneous negotiation with stakeholders to explore concerns of stakeholders, whilst also accepting changes when necessary.

This strategy is perceived to be in harmony with the stakeholder information strategy on the assumption that stakeholders can influence in terms of their support of, or opposition

to, the company. Not only that, it also corresponds with the stakeholder response strategy which assumes that stakeholder expectations be investigated using opinion polls. However, to Morsing and Schultz (2006), these two strategies are not enough and that the stakeholder involvement strategy goes beyond the one-way communication and two-way asymmetric communication to take into account firm's frequent and systematic engagement in dialogue with stakeholders in order to explore and develop mutually beneficial CSR actions. Whilst these three CSR communication strategies have been presented to highlight the increased necessity for superiors to incorporate learning and techniques to support more stakeholder involvement, there is only little proof that two-way communication processes is what is being practiced in recent times (Morsing & Schultz, 2006).

### **2.3 Theoretical Framework**

In the field of academia, numerous theoretical perspectives have been used in understanding the concept of CSR. Gray et al. (1996) identified economic theory, social and political theory as well as decisions-usefulness theory as the three main kinds of theories. However, these three broad theories are sub-divided into several theories. These theories include the stakeholder theory (Donaldson & Preston, 1995; Freeman, 1984), stewardship theory (Donaldson & Davis, 1991), institutional theory (Campbell, 2006; Husted & Allen, 2006; Matten & Moon, 2008), corporate citizenship approach (Matten & Crane, 2005), corporate social performance approach (Carroll, 1979; Carroll, 1991) and the likes. Previous studies have also adopted one of the many differing theories such as the voluntary disclosure theory, legitimacy theory, stakeholder theory, institutional theory, signaling theory (Deegan, 2002) and assurance theory (Pflugrath, Roebuck & Simnett, 2011) to understand and examine why organizations engage in CSR reporting.

Amongst other scholars, Jaggi and Zhao (1996) argued based on the evidence that organizations do not exist in a vacuum and are part of the society that creates them, as a result reporting stems from thoughts of accountability. However, each of these theories and schools of thought approaches the subject from different angles. For the purpose of this study the stakeholder theory and the legitimacy theory are reviewed since they appear to be the most appropriate for practical judgments regarding the nexus between CSR reporting and stakeholder management.

### **2.3.1 Stakeholder theory (Freeman, 1984)**

The notion of the stakeholder theory was established by Freeman (1984), who defined the term as any group or individual who can affect or be affected by the goal of a company. It was initially perceived that organizations had only one stakeholder group which was considered owners of the organization, as well, their main aim was to maximize profit for these owners (Ditlev-Simonsen & Wenstøp, 2013). However, Freeman (1984) argued that it is essential for organizations to extend their responsibility beyond owners to include the wider stakeholder group which have or can have legitimate demands and can affect the outcome of the company. Thus, besides fulfilling the economic and legal responsibilities, companies must attempt to resolve social problems by considering the effects of their actions on their stakeholders (Freeman, Wicks & Parmar, 2004; Jensen, 2002; Lee, 2008; Schaefer, 2008).

Clarkson (1995) classified stakeholders into *primary* and *secondary* groups both within and outside the firm. According to him, shareholders, customers, investors, government, suppliers, employees and the community make up the primary stakeholders with whom companies may have official, formal or contractual relationships. He further categorized primary stakeholders into internal and external stakeholder groups. The former consists

of employees and investors whilst the latter includes suppliers, government, customers, communities and the natural environment (Galbreath, 2006). Secondary stakeholders on the other hand are made up of the media and special interest groups towards whom a company has no formal or contractual obligations (Clarkson, 1995). It was further illuminated by Lee (2008) that although secondary stakeholders affect, or are affected by the actions of the firm, they are not engaged in any direct transactions with the firm.

Additionally scholars such as Donaldson and Preston (1995) classified the stakeholder theory into three parts; descriptive, instrumental and normative. The descriptive stakeholder theory suggests which stakeholder groups are key, why they will be key and how the company should respond to them (Jawahar & McLaughlin, 2001). Also whilst the instrumental theory describes the consequences of the actions of management, whereby stakeholder management is viewed as an instrument used to promote economic goals (Garriga & Melé, 2004), the normative stakeholder theory advances the moral propriety of the behavior of organizations (Evan & Freeman, 1988; Freeman, 1994). The proponent of this thought contend that the stakeholder theory is a powerful tool that can be used in understanding organizations and their environments (Aaltonen, 2010). The dominant idea is that, the success of an organization depends on how well they manage their relationships with their customers, employees, suppliers, communities, investors, and other stakeholder groups that can affect the success of the organization (Freeman & Philips, 2002). Donaldson and Preston (1995) however elaborated that in principle it is required that all persons or groups with legitimate interest and participating in an enterprise do so to obtain benefits, and that there is no pre-set priority of one set of interests and benefits over another.

The stakeholder theory builds on numerous disciplines, including ethics, strategy, law, economics and theory of organization as well as CSR research (Doh & Guay, 2006; Enquist, Johnson & Skálén, 2006; Morsing & Schultz, 2006). This is because researchers are of the view that increasing demands from multiple stakeholders compel managers to allocate resources to CSR (McWilliams & Siegel, 2000). It has been observed that stakeholders have diverse levels of power on, or influence over a company (Parker, Bellucci, Zutshi, Torlina & Fraunholz, 2015). This understanding seems to be endorsed by some researchers that, as a result of these stakeholder levels of power, managers decide which specific stakeholders the firm will be held responsible and/or which stakeholders they will consider (Blombäck & Wigren, 2009; Gadenne, Kennedy & McKeiver, 2009).

Some scholars posit that one of the important building blocks of enhancing stakeholder relationships is communication, hence the need for companies to proactively disclose their CSR information to their stakeholders (Foster & Jonker, 2005; King & Whetten, 2008). Also in literature, reports on CSR have been likened to signify an instrument used for managing stakeholder relations (Elkington, 2001) which goes beyond maximizing profit for companies to take into account the responsibility they have towards their stakeholders (Ofori & Hinson, 2007). Birth et al. (2008) further stressed that this approach serves as a guideline that enables companies to choose activities or social relationships that depict their commitment as CSR leaders. Since the stakeholder theory provides a lens of complex relationships between companies and their stakeholders, the study seeks to understand the extent to which firms are able to satisfy the varied demands made by their stakeholders. As well the study seeks to explore how firms are able to enhance the manner in which they manage their stakeholder relationships through the practice of CSR and disclosure of CSR information.

### **2.3.2 Legitimacy theory (Suchman, 1995)**

The building blocks of the legitimacy theory originates from the explanation of legitimacy by Suchman (1995) as a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed systems of norms, values, beliefs and definitions. He further stresses that the legitimacy of organizations' is tied to its behavioral patterns acceptable by a group of beholders. The theory also stems from the concept of organizational legitimacy referred to as a condition which exists when the value system of an entity corresponds with that of the wider social system of which the entity is embedded (Dowling & Pfeffer, 1975). According to them, a disparity between the two value systems result in a threat to the entity's legitimacy. In response, the theory proposes that organizations can only continue to survive if they behave responsibly and reflect what society considers to be acceptable norms and values as well as attempt to change the beliefs, values and norms of society through communication in order to gain legitimacy from society (Lindblom, 1994).

Additionally, the theory posits that companies that engage in CSR are given the opportunity to seek approval of their actions from society as legitimate (Branco & Rodrigues, 2006; Danko, Goldberg, Goldberg & Grant, 2008; Kuznetsov & Kuznetsova, 2006) which can either be implicit or explicit (Abugre & Nyuur, 2015). It has been further observed that through legitimacy, CSR is able to safeguard companies against external threats (Frynas, 2008) reduce cost and risk, build competitive advantage and create a win-win situation through synergistic value creation (Lindgreen & Swaen, 2010). Thus majority of companies worldwide engage in CSR reporting as a public relations vehicle in order to influence the opinions or views of stakeholders and the society (Guidry & Patten, 2010), offer reassurance and have a good feeling about

building their corporate image (Elkington, 1997; Hooghiemstra, 2000). To Shauki (2011), this is the point when communication plays its role.

Based on the understanding of the legitimacy theory, the study seeks to explore the extent to which CSR actions adopted by firms in Ghana correspond with the expectations of society. As well since the society makes available the resources utilized by firms, the study seeks to ascertain the extent to which companies report on their CSR by making the public aware of their actions as a major means of enhancing their relationships with their stakeholders in order to gain societal power and legitimacy.

In conclusion, with these theoretical perspectives, it is expected that companies consistent and listed on the GC 100 should report more on CSR compared to inconsistent companies since consistent competing companies have more duty to demonstrate their consciousness of responsibility to their stakeholders. Secondly, listed firms are expected to disclose more information about their social responsibility than unlisted companies since they receive much attention from the public and the media, and are more visible than their unlisted counterparts.

#### **2.4 Empirical Studies on CSR Reporting and the Stakeholder Linkage**

With the use of mixed methods Prado-Lorenzo et al. (2009) conducted a study on stakeholder engagement and CSR reporting based on the ownership structure effect. The stakeholder theory approach was used in analyzing to find out if corporate social disclosures is consistent with the framework proposed by Ullmann (1985). Their findings revealed CSR reporting to be a useful mechanism through which companies disclosed their CSR information to their stakeholders. They also found that the influence exerted by certain stakeholders (government and creditors), together with the strategic posture of

the firm, had a significant effect on the publication of a CSR report. In addition, their study revealed that larger and politically visible firms disclosed more CSR information for the purposes of reducing their political costs. Lee (2013) also examined CSR disclosure among large Korean companies. He found that Korean companies consider CSR in a more upper handed approach, that is to say, their CSR undertakings were more of philanthropic in nature. In addition, they found firm's performance and CSR degree to be insignificant.

Furthermore using a content analysis of 176 annual and CSR reports of all mining and minerals companies listed on the Shanghai and Shenzhen Stock Exchanges from (2007-2010), Dong et al. (2014) examined salient stakeholders in CSR reportage. Results showed that in addition to the central government, salient stakeholders with a significant impact included international consumers, whilst unexpectedly, mining industry associations, local communities and employees were unconsidered as salient since they did not have a significant impact on CSR reporting practice. In addition, Qu et al. (2013) investigated how stakeholder power changes and its impact on firms disclosure decisions in the Chinese stock market. Using the legitimacy and stakeholder theory, they found that different stakeholder groups exert different degrees of influence on firms' decision making in respect of information disclosure especially during different stages of the development of the Chinese stock market.

Finally, Skouloudis et al. (2012) assessed the comprehensiveness and quality of CSR reports published by international airports. Their findings indicated that CSR reporting was not a common practice among the international airports. Also, where it is done there was significant inconsistencies in their disclosure practices. More so, their study revealed that majority of the airports located in the North American and Western European

regions published standalone CSR reports whilst countries whose airports were included in the study aside from Greece enacted mandatory requirements for non-financial disclosure and developed voluntary initiatives to stimulate CSR reporting among domestic businesses.

## **2.5 Conceptual Framework**

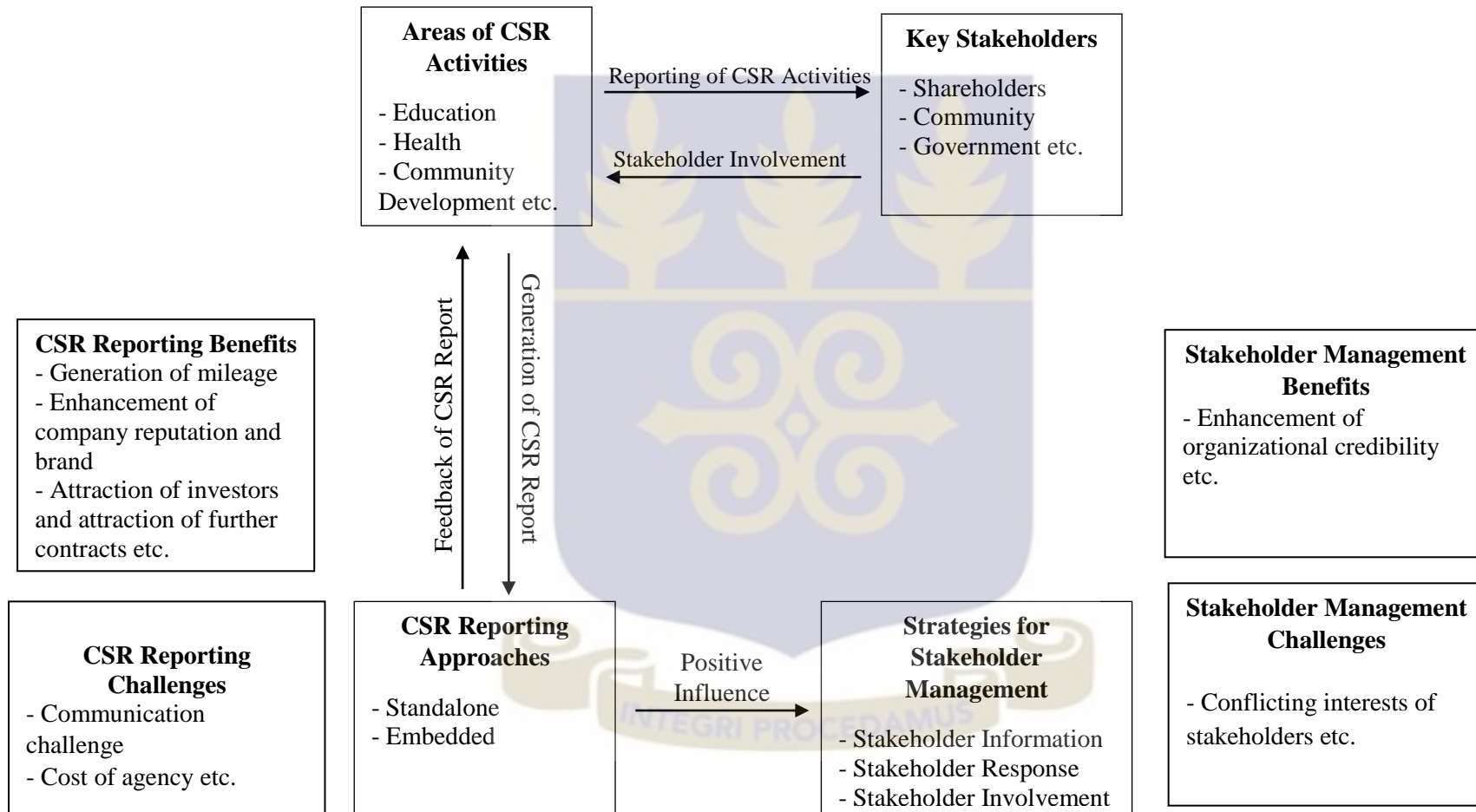
To understand CSR reporting and stakeholder management, the two general CSR reporting styles (i.e. embedded reports (documents for which CSR information are a part of) and standalone reports (documents purposely designed for reporting only CSR information) were reviewed. As well stakeholder management strategies firms adopt in enhancing their relationships with their stakeholders (i.e. one-way communication (stakeholder information), two-way asymmetric communication (stakeholder response) or two-way symmetric communication (stakeholder involvement) were also reviewed. From literature some benefits and challenges associated with CSR reporting and management of firm stakeholders were revised. What's more? it is significant to note that reports on CSR are dependent on the diverse activities of CSR (i.e. education, environment, health, community development etc.) undertaken by firms. Besides it is believed that these CSR activities are initiated by firms in order to satisfy the diverse interests of their various stakeholders (community, government, shareholders etc.). Thus these CSR reporting and stakeholder management strategies although one way or the other may be influenced by certain variables, it is believed to be the driving force of stakeholder management. These are summarized in a conceptual framework presented in Figure 2.1 overleaf.

In detail, this framework demonstrates how stakeholders' interests are involved in CSR decision making to arrive at firms' CSR activities. When these CSR activities are

undertaken they are expected to be reported as information into what we call the CSR report which can be in the form of embedded or standalone CSR reports. These reporting styles are however adopted by firms to disclose their CSR information back to their stakeholders. The framework further shows the stakeholder communication strategies firms adopt in enhancing their stakeholder relations in terms of engaging their stakeholders. As a result it depicts an existing positive influence of CSR reporting on stakeholder management. The diagram is gleaned from the literature and heavily resonates with the several theoretical propositions (Carroll, 1991; Morsing & Schultz, 2006; Thorne et al., 2014).



Figure 2.1 A conceptual framework of CSR reporting and stakeholder management



Source: Author's construct

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology. It explains the research assumptions and paradigms, research approach, the study design and processes employed in executing the study. It provides detailed information about the study population and respondents, sampling and sample selection as well as sources of data. In addition, it also discusses in detail the methods and procedures used in gathering data and data analysis.

#### **3.2 Research Philosophy and Paradigm**

A paradigm determines the criteria one uses in selecting and defining problems for enquiry and how one follows them theoretically and methodically. That is, how a problem is formulated and systematically tackled (Kuhn, 1970, Shannon-Baker, 2015). Mertens (2014) is also of the view that a research paradigm influences the way knowledge is studied and interpreted by identifying the contextual factors and linking them to the research process. To her, it is the choice of paradigm that sets down the intent, motivation and expectations for the research. Without nominating a paradigm as the first step, there is no basis for subsequent choices regarding methodology, methods, literature or research design (Creswell, 2014). The term “paradigm” may also be defined as a loose collection of logically related assumptions, concepts, or propositions that orient thinking and research (Bogdan & Biklen, 2003) or the philosophical intent or motivation for undertaking a study (Cohen, Manion & Morrison, 2012). Alternatively, Silverman (2013) explained a paradigm to include three elements: a belief about the nature of knowledge, a methodology and criteria for validity. A number of theoretical paradigms are discussed in the literature such as: positivist (and postpositivist), constructivist, interpretivist, transformative, emancipatory, critical, pragmatism and

deconstructivist. However, the use of different terms in different texts and the varied claims regarding how many research paradigms there are, sometimes leads to confusion for the first time or for the early career researcher.

The objective of this research was to tackle the subject from the perspective of positivistic paradigm. This study is based on positivists' epistemological approach which employs the systematic and empirical investigative techniques of the qualitative approach. To Saunders, Lewis and Thornhill (2007), this approach provides the opportunity to utilize statistical, mathematical and computational techniques to formulate facts and uncover patterns.

### **3.3 Research Design and Approach**

The study employed the cross sectional survey design. According to Neuman and Robson (2012), it is one of the most common and eminent study designs whereby data is collected from a given sampled population or a representative subset at one particular point in time. The choice of this design aided in gathering information from a representative pool within the population, since it is quite impossible if not unrealistic to sample the views of all CSR executives of companies in Ghana. Meanwhile, the qualitative approach was adopted in exploring the depth of the phenomenon. According to Yin (2011), the qualitative approach has the capacity to represent the opinions and perspectives of respondents in a study. To Berg (2007), qualitative research has to do with the meanings, concepts, definitions, characteristics, metaphors, symbols and description of things. Saunders, Lewis and Thornhill (2009) elaborated that qualitative approach mainly draws on all non-numeric data or information that have not been quantified. In this current study, qualitative data was collected from CSR executives in the various companies.

### **3.4 Population of the Study**

Terre-Blanche, Durrheim and Kelly (2006) indicated that a population may comprise of all the elements that make up the unit of analysis. The target population of the study consisted of companies that have been consistent on the Ghana Club (GC) 100 over the 2010 and 2012 year period and have their head offices located in the Accra-Tema metropolis, situated in the Greater Accra Region of Ghana. According to the listing, only thirty four (34) companies have consistently appeared from 2010 to 2012 and these companies are located in the Greater Accra Region. The main reasons for the choice of the region is because it is the capital city of the country and almost all the listed firms are located in the region. Furthermore, the intent behind this choice is because CSR executives' of the sampled companies are mainly located at their head offices.

The main targets of the study were the CSR executives which comprised of CEOs and CSR managers located at the head offices of the sampled organisations. This is because these executives are in charge of CSR policy formulation and implementation at their respective organisations, hence reasonable and practical to consider the perspectives of these people on the subject matter. Nyuur, Ofori and Debrah (2014) emphasized that these executives are the most apt people that have in-depth knowledge of their CSR practices. Thus, in this study, CSR managers are defined as those whose only role in the organisation is to manage the CSR portfolio.

#### **3.4.1 Selection of companies**

As earlier indicated, the study was restricted to the head offices of firms listed on the Ghana Club 100 which have consistently appeared from 2010 to 2012 and located in the Accra-Tema metropolis. In all, a total of 35 companies were consistent on the GC 100 from 2010 to 2012. Out of this, only one company was excluded from the study since it

was not located in the Greater Accra region of Ghana. Hence, the population for the study consisted of 34 companies with 20 finally selected for investigation.

### **3.5 Sample Size and Sampling Selection**

For the purpose of this study, the purposive as well as stratified techniques were used in the selection of companies listed on the GC 100. The purposive sampling technique helped to select listed companies that have been consistent on the GC 100 from 2010 to 2012. Whilst the stratified random sampling technique was used to group companies into diverse sectors hence each sector formed a stratum. Agresti and Finlay (2008) defined stratified random sampling as a type of probabilistic sampling technique that requires the population to be split into important strata relevant to the research interest whereby the chance or probability of each sector being selected from the population is known. It can also be referred to as a modification of random sampling in which a population is grouped into important strata based on one or a number of characteristics (Saunders et al., 2009). Thus, the technique was to ensure equal opportunity for companies from each sector to be drawn for inclusion, since a complete list of the population or the GC 100 listing was readily available on the GIPC website. After the classification, the sectors included the financial, manufacturing, automobile and mining.

Finally, the convenience sampling technique aided the researcher to select CSR executives who handled issues of CSR from the various firms and were willing to take part in the study. Often called accidental sampling, convenience sampling is used to select participants who are readily available and consent to participate in a study (Henry, 1990; MacNealy, 1999). Table 3.1 overleaf shows the sample size and selection for the study.

**Table 3.1 Sample size of the study**

<b>Company/Sector</b>	<b>No of firms</b>
Financial	
Banking	9
Insurance	4
Manufacturing	2
Oil and gas	2
Mining	1
Education	1
Automobile	1
Total	20

*Source:* Field data (2016)

### **3.6 Sources of Data**

Although data for the study was collected mainly from primary sources, aided by interviews, secondary data was also obtained. Observations were also made by the researcher with the help of an observation checklist. Whereas the interview was directly conducted by the researcher, the secondary data on other hand included information published in annual reports, brochures, as well as web sites of the sampled companies.

### **3.7 Research Instruments**

An interview guide was used as the main instrument for the study, which was developed in the light of the study objectives and the research questions. Interviews are one of the most commonly used qualitative methods which help in eliciting detailed and in-depth information from survey participants. According to Yin (2011) the use of interviews in qualitative studies generally adopts a conversational approach which inspires as well as offers respondents the opportunity to explore important issues that are beneficial to the study. The interview guide assisted the researcher in interviewing the CSR executives of the sampled companies. The interview guide was organised as follows: Section 'A'

assessed the demographic background of respondents. It included items such as: gender, job title, etc. Section 'B' examined CSR reporting approaches and stakeholder management approaches adopted by companies in Ghana. Section 'C' determined the benefits associated with CSR reporting and stakeholder management. Section 'D' assessed how CSR reporting influences the management of stakeholders whilst Section 'E' ascertained the challenges associated with CSR reporting and stakeholder management.

Finally, the investigator also observed for herself during the data gathering process whether there were designated offices/departments for CSR and its activities in the sampled companies and how such practices reflected actual CSR projects and initiatives. Also, the investigator toured some of the project sites where such CSR initiatives are undertaken and studied the possible impacts they are making in the lives of the beneficiaries and their communities. In addition, annual or standalone reports and CSR policy documents of the sampled organisations were requested. Finally, with the help of a prepared observational checklist, all observations were personally recorded during the period.

### **3.8 Research Propositions**

Propositions are associations between two existing concepts that is dependent on an earlier research, existing correlative evidence or assumptions that are reasonable (Clay, 2016). However, in research methodology, "proposition" and "hypothesis" are words that are frequently used with different connotations attached to them by different authors (Majumder, 2016). According to him, the general view is that, a set of assumptions are developed from theory, built on the grounds of existing literature in a particular field and from these assumptions, a proposition is generated. Therefore a proposition requires no

verification by experiment since it deals with pure concepts (Clay, 2016) hence they are basically of a qualitative nature. However, a hypothesis becomes testable and measurable when a researcher wishes to transform the qualitative inquiry into a quantitative one (Majumder, 2016). In this study however, propositions were formulated since valid hypotheses could not be made based on existing literature. According to Clay (2016) a proposition serves as a common assumption that can support an additional speculation where valid hypothesis can hardly be made.

### **3.9 Validity and Reliability of Data**

Ensuring data reliability and validity are perceived as significant issues in all studies. In qualitative research there are several methods in literature that can be used to ensure validity and reliability. Boateng (2014) classified some of these methods as descriptive validity, interpretative validity, theoretical validity, internal validity and external validity. According to Lacey and Luff (2001) triangulation and respondent validation are some methods that can be used to ensure data reliability and validity. With respondent validation it is expected that the researcher frequently feedback the findings from the study to their participants by sending back transcripts or quotations in order to check accuracy of the data or ask respondents to comment on the interpretations of the report (Lacey & Luff, 2001). On the other hand, they described triangulation as a means of gathering and analyzing data from multiple sources so as to gain an in-depth insight on the phenomenon under study, depending on the research questions and setting. They emphasized that in order to triangulate there is the need to conduct an observation, review service records in addition to semi-structured interviews, for gaining diverse insights into the same situation. Boateng (2014) defines triangulation as the use of multiple sources in a single study. Lacey and Luff (2001) stressed that the

inconsistencies within the data collected should spur the researcher on to further analysis, and sometimes, to further investigation until some 'sense' can be made of what is happening.

Since this study was conducted within a short and specified time frame, the triangulation method was used in ensuring validity and reliability. Observations were made using an observation check list. Besides, with the aid of an interview guide, data was collected from CSR executives with information published on websites as well as annual reports of the sampled companies. To gain more insight, data from these sources were simultaneously used. As well the consistencies and inconsistencies in data spurred further interrogations.

### **3.10 Method of Data Analysis and Presentation**

The data collected for the study was analyzed using the qualitative approach. Information gathered from the interview was transcribed and presented with the aid of descriptive statistics (e.g. frequencies, percentages, tables and charts). The study also employed the thematic analysis to draw the central themes and ideas running through the transcribed interviews. These thoughts were further categorized and systematically analyzed based on the study objectives, research questions and propositions. Braun and Clarke (2006) described thematic analysis as a qualitative analytic method for identifying, analyzing and reporting patterns within data, minimally organizes and describes the data set in rich detail as well as interprets various aspects of the research topic.

### 3.11 Profile of the Study Area

The Ghana Club (GC) 100 is an annual compilation of the top 100 companies in Ghana, launched in 1998 by the Ghana Investment Promotion Centre (GIPC) for the purpose of recognising prosperous enterprise builders (GIPC, 2015). According to the GIPC reports, organizations given the opportunity to join the GC 100 are to serve as a guide for the private sector and provide a forum for corporate Ghana to interact with the government at top level. Its main objectives according to the GIPC (2015), is to develop an open information culture within the Ghanaian corporate sector, provide an impetus for augmented corporate performance, design a uniform standard for assessing performance of corporations and establish an annual and current analysis for the corporate sector in Ghana. Companies who wish to be part of the GC 100 are expected to be limited liability with a cumulative positive net profit for the three most recent year period. However, companies with government interest are expected to have a government share ownership of less than 50%, with the exception of companies listed on the Ghana Stock Exchange (GSE) (GIPC 2015).

Furthermore, qualified firms are ranked on the following parameters: firstly on the basis of the year being ranked, the size of the firm is measured using the company's turnover for that year. Secondly, the firm's profitability is determined by computing a 3-year average Return on Equity (ROE). The (ROE) is perceived as a universally accepted measure of profitability which shows the returns yielded by management for the company's shareholders whilst the growth of the firm on the other hand enables them to acknowledge firms growing at remarkable rates, as a result of their excellence in product development, marketing and effective management, which is measured using their 3-year compounded annual growth rate of turnover over the two year period (GIPC, 2016). In addition to the firm's size, growth and profitability, a weighted rank is calculated and

applied to a company's rank on each parameter, of which an overall rank of the firm is obtained. Nevertheless, all stalemates in the ranking are rejected using growth as a tie breaker.

Sector rankings have been created for the following; agriculture and agribusiness, education, financial services, health, information and communications technology, infrastructure, manufacturing, media, petroleum/oil and gas and mining services, services and tourism. What is more? Firms that desire to be considered for prestigious awards are expected to submit one set each of three years of audited accounts for years that will be announced in hard copy and soft copy. This comes in addition to documentations from the internal revenue services, value added tax service, the social security and national insurance trust (SSNIT) to the GIPC office whenever the bid for the rankings are opened, stating that the business is in good standing for the year in question (GIPC, 2016).

### **3.12 Ethical Considerations**

The study takes into account the following ethical considerations; permission from authorities, right of confidentiality as well as respect for human rights. Permission was firstly sought from the offices of the participating organisations for the study. As a behavioral principle, the study first obtained participants' consent and requested for voluntary participation before enrolment onto the study. Thus, participation was entirely voluntary and not under duress since the researcher was obliged to respect the right, dignity, and beliefs of individual participants. They were provided comprehensive information on the study including the potential costs and benefits associated with their participation. The ethics of anonymity and confidentiality were also upheld, with the obtained information treated as aggregate but not units of analysis. Consequently, no participants were identified by name but only with pseudo names so to conceal their

identities. Finally, the ethics of beneficence was also upheld. This principle requires the research to be useful to both participants and the society. Thus the study was used as an advocacy tool to create curiosity and public attention on CSR reporting and stakeholder management in a developing country context. Respondents' right to privacy, willingness and voluntary participation, respect for dignity, etc., were guaranteed.



## CHAPTER FOUR

### PRESENTATION AND DISCUSSION OF FINDINGS

#### 4.1 Introduction

This chapter analyses and discusses the data obtained from respondents. The main aim of the study was to explore the perspectives of CSR executives of their firms' CSR reporting and stakeholder management. The study further assessed the link between CSR reporting and stakeholder management. Two propositions were used in line with the objectives of the study. Out of a total population of 34 companies, an interview guide was used to solicit the views of CSR executives from a sample of 20 companies, 10 of them were willing to participate in the study. Interviews were subsequently held with the 10 managers. The interviewees were from different sectors including manufacturing, oil and gas, mining and financial (banking and insurance) industries in Ghana. The thematic analysis method was used to analyse the data obtained from interviewees and were presented with regards to a specific research objective. This was done to ensure that all the research objectives are addressed systematically.

#### 4.2 Demographic Characteristics

This section presents the gender, job title, level of education, tenure or number of years worked in an organisation, age of corporation, company type, sector of company and size of company in relation to the total sample. Table 4.1 below shows that out of the total sample of 10 CSR managers from 10 companies on the Ghana Club 100 list, consistent from 2010-2012, five CSR managers representing 50% were male, whilst the other five were female indicating that CSR managerial positions are equally occupied by both males and females. The educational level of interviewees was considered. Table 4.1 shows that out of the 10 interviewees sampled, nine of them representing 90% had a postgraduate degree whilst only one representing 10% had a first degree. The CSR

executives who have a postgraduate degree, obtained them from universities either within and or outside Ghana. Additionally, with regards to the job title of interviewees, seven were corporate affairs managers, two were human resource managers whilst only one was a sustainable development manager. Despite these different job titles, they all carry out similar responsibilities as persons in charge of CSR communication in addition to their responsibility for managing price situations, protecting the name of their brands and managing CSR activities. This finding show that CSR activities of these firms are highly attached to specifically the corporate affairs department. This findings support assertions of Ofori (2007b) that CSR in Ghana is usually done in a disorganized manner.

Moreover, examining the number of years one had worked in the company, Table 4.1 points out that out of 10 CSR executives, two managers had worked less than 10 years in their individual organisations, five managers had worked from 11-20 years in their respective companies whilst two had worked for more than 20 years in their corresponding companies. In determining the age of the firm, Table 4.1 below revealed that out of a total of 10 companies, seven companies had operated more than 30 years whilst three companies had operated for less than 30 years, indicating that a majority of the companies are older. Considering the company type, Table 4.1 demonstrates that four companies are multinational companies whilst six companies are national companies. Then again Table 4.1 shows that out of 10 CSR executives interviewed, five executives worked in the financial sector, two worked in the oil and gas sector, 2 interviewees worked in the manufacturing sector whilst only one worked in the mining sector. These representations demonstrate that majority of the interviewees are from the financial sector. Finally, in considering the size of the company, from Table 4.1 all the 10 CSR executives' worked in large companies respectively. The results are presented in table 4.1 below.

**Table 4.1. Demographic characteristics of interviewees and sampled companies**

Demographic Variables	Frequency	Percentage %
<b>Gender</b>		
Males	5	50
Females	5	50
<b>Job Title</b>		
Corporate Affairs Manager	7	70
Human Resource Manager	2	20
Sustainability Development Manager	1	10
<b>Level of Education</b>		
Degree	1	10
Postgraduate	9	90
<b>Tenure</b>		
Less than 10 years	3	30
11-20	5	50
More than 20 years	2	20
<b>Age of Corporation</b>		
Young Company: Less than 30 years	3	30
Old Company: More than 30 years	7	70
<b>Company Type</b>		
Multinational	4	40
National	6	60
<b>Sector of Company:</b>		
Financial	5	50
Mining	1	10
Manufacturing	2	20
Oil And Gas	2	20
<b>Size of Company</b>		
Large	10	100

**Source:** Field data (2016)

#### 4. 3 Discussion of Findings in Relation to the Research Objectives

This segment discusses the results of the study in relation to the research objectives and existing literature. The main objectives of the study was to:

1. (a) Examine CSR reporting approaches adopted by companies in Ghana.  
(b) Discover stakeholder management approaches adopted by companies in Ghana.
2. Determine the benefits associated with CSR reporting and stakeholder management of companies in Ghana.

3. Assess how CSR reporting influences the management of stakeholders in companies in Ghana.
4. Ascertain the key challenges associated with CSR reporting and stakeholder management of companies in Ghana.

#### **4.3.1 Objective 1: CSR Reporting and Stakeholder Management Approaches**

The first study objective was geared towards exploring the approaches and modes companies use when reporting and managing their stakeholders. The study was also interested in finding out how companies prepare their CSR information reported as well as understand the reasons why companies engage in CSR reporting. In addition, the study further sought to ascertain who comprised the target audience of these CSR reports, who these companies' refer to as their stakeholders, the nature and form of the CSR activities carried out and the kind of CSR information reported by the sampled firms. It is argued that the decision to report on CSR or not is principally taken by management executives including persons in charge of CSR of various companies since they are the ones who prepare the reports and have in-depth knowledge about their CSR activities.

##### **4.3.1.1 Objective 1a: CSR reporting approaches**

Information gathered from the sampled CSR executives revealed that all the 10 companies engage in CSR and provide reports on the undertaken activities. Interrogation on the approaches used in reporting CSR initiatives showed that companies generally report their CSR activities either using an embedded CSR report or both the embedded CSR reports (documents for which CSR information are a part of) and standalone CSR reports (documents purposely designed for reporting only CSR information)

concurrently. Findings from the study indicated that out of the 10 sampled firms, four used both embedded and standalone CSR reports concurrently. In particular, some of the companies explicitly disclosed:

*[. . .] we report to our headquarters in Paris using a report known as the sustainable development report. However, we also disclose our CSR activities in our annual reports which we make available to our stakeholders and the public (C6).*

*It is a standalone report but we also have other reports for which the CSR report forms a part of like the companies annual reports [. . .] (C8).*

The above statements affirm that such companies disclose their CSR activities using both standalone and embedded reports simultaneously. Further secondary information from the corporate websites revealed that these firms used both approaches because they are multinational companies and as a result, are impelled by their headquarters to adopt such measures. Findings further revealed that all the 10 sampled companies disclosed their CSR information using an embedded CSR report. Nonetheless there exists a remarkable distinction between the types of embedded reports used by these companies. Whilst nine was found to disclose their CSR information through their annual reports, the remaining published their CSR information in their financial report. Some of the executives distinctively admitted:

*[. . .] we do not have a separate CSR report but during our preparation of the annual report for the year we mention our CSR activities especially the major CSR activities that we have done (C1).*

*We publish our CSR as part of our financial report or statement [. . .] (C3).*

*[. . .] we present our CSR report as part of our annual report [. . .] (C7).*

These observations show that companies disclose their CSR information using an embedded CSR report in which their CSR information is reported either through annual reports or financial reports. It was also found that companies who reported their CSR using only annual reports were largely domestic ones. However, the study reveals that the majority of companies including the foreign and MNCs disclose their CSR information through annual reports. Kent and Chan (2003) explains that, most firms disclose their CSR information through annual reports in order to reduce the cost of disclosure as well as meet the requirements of pressure groups. However in this context, one may assume that these companies mostly disclose their CSR information to stakeholders through the annual reports because, these reports may be the most basic and accessibly documented preferred channels in which not only CSR information but also other significant information about companies are disclosed.

The study results affirms other earlier studies, including Adams et al. (1998) who found that, firms in Germany, France, Switzerland, UK and Netherland generally disclosed their CSR actions through their annual reports. In a similar vein, the outcome may be held to support findings of Sawani et al. (2010) that most of the CSR information reported by Malaysian corporations were found to be integrated in annual reports. The study results also support the observation by Gao (2011) that annual reports are the most widely used channels through which companies disclose information relating to their CSR.

#### **4.3.1.2 Other CSR reporting channels**

Additionally, regarding whether there exists other avenues and outlets through which CSR activities are published other than the widely and commonly used embedded and standalone reporting styles, all but one representing 90% indicated that besides the two

main reporting approaches, the other channels used in reporting their CSR information was through their corporate websites, corporate calendars, publications in newspapers, magazines, newsletters, brochures, press conferences, radio, television as well as through verbal presentations at Annual General Meetings (AGM) of shareholders.

Four CSR executives recounted distinctively:

*In addition to our annual reports we also report our CSR through publications like the daily graphic and our beneficiaries of our CSR also report on our CSR in their publications. Sometimes we get the media ourselves to cover the CSR projects that we do so that they can report on them. Also you can also find our CSR reports on our company's websites (C1).*

*[. . .] we also report to our stakeholders through the print media, company brochures and our corporate website (C10).*

*We report through our corporate websites [. . .], during our AGM, we have shareholders who are present, so reporting CSR becomes part of our chairman's speech. During the meeting, we mention some of the CSR we have done in the course of the year as well as do some documentary in order to show our stakeholders what CSR we have done and where we undertook those CSR projects (C5).*

*Besides our annual reports, our CSR activities are published in the daily graphic, on our websites and at presentations of our AGM meetings to shareholders. We also organise what we call the facts behind the figures for other stakeholder groups including the general public, media etc. of which we report on our CSR and allow the public to ask series of questions (C7).*

These statements indicate that these firms are not only restricted to the two generally used reporting styles, but also adopt different methods of disclosing their CSR information. It was discovered that in order to reach significant people such as investors who are interested in the company but cannot readily have access to the annual reports, most of these organisations stated using the other outlets for reporting their CSR activities. It could therefore be concluded that companies may adopt these other channels aimed at CSR reportage in order to reach stakeholders who may contribute directly or indirectly towards the survival of the company.

It is therefore not surprising that the findings of this study are consistent with Hinson et al. (2010) that, besides the use of corporate websites, companies in Ghana disclosed their CSR actions through various print and electronic media, such as newspapers, annual reports, and television, among others. Also the study findings support prior studies of Stray and Ballantine (2000) that companies in the UK used different kinds of channels such as videos, exhibitions and press releases to disclose their CSR. This is further illuminated by Lewis and Unerman (1999) who proposed in an early conceptual study that varying moral values result in different legitimization strategies and differing reporting patterns respectively in order to fulfill distinctive expectations of stakeholder. Contrary to the above findings, the study also revealed that not all the sampled companies report their CSR initiatives using the aforementioned channels. In particular, an informant from a privately owned domestic insurance company indicated:

*We do not report using any other outlet since we only report our CSR information to our staff (C3).*

This finding is however surprising, noting that in literature assertions and findings of researchers such as Birth et al. (2008), Hinson et al. (2010) and Romenti et al. (2010) supports organisations that use the different channels such as, internal channels, websites, product packaging, interventions in the press, on television and points of sale in reporting their CSR activities. The researcher suggests that, the evidence found in this context may be attributed to the fact that, the reports of such a company do not only target one stakeholder group who are the company's employees, but that such an organisation is privately owned. Also, although it is a listed company with CSR being a key requirement, for such a purpose, it could be assumed that such a company does not

seem coerced by any external group or regulatory mechanism to conform to the use of other reporting mediums in disclosing their CSR information.

#### **4.3.1.3 Development of CSR reports: policy documents and guidelines**

A very important aspect about the approaches adopted by companies in reporting CSR has to do with how these reports have been prepared. This is because it is expected that most reports might have gone through as well as followed a series of steps to arrive at the final reporting stage. In order to understand this, CSR executives from the selected firms were asked how their CSR reports are prepared, specifically with reference to whether they have any documented policy for CSR and also whether they follow any internally or externally developed guideline in preparing their reports. It emerged that although 50% of the participants underscored not having a separate policy document on CSR, they affirmed that their CSR policy forms part of the companies' policy document.

However when the researcher further asked to see those policy documents, only one organisation out of the five which claimed they had their CSR policy as part of their company policy, was able to present the company policy document. The study finding also showed that, the remaining firms did not have any written policy on CSR. Therefore, from observations made by the researcher it can be said that, out of a total of 10 sampled firms, nine do not have any policy document on CSR. Interestingly, none of the 10 selected firms attested to following any documented guidelines as well in preparing their CSR reports, rather they followed conventions in the form of the specific CSR areas in which they are expected to undertake projects and report on them as well. Thus, one may conclude that, these conventions may account for the reasons why a majority of the companies deemed it unimportant to develop a policy document on CSR.

Evidence to support this could be gleaned from:

*Per our policy, we have restricted ourselves to building skills and capacity of young persons. Looking at the skills that will make them employable (C4).*

*It is just an ordinary report that we put down [ . . . ] we follow no guidelines and we have no policy document on CSR. At the end of the year we have made it clear that we do our CSR in the area of water therefore it is the water that we do that we report on (C5).*

*[ . . . ] our policy guideline is focused on some major areas. They focus on five themes that is education, health, water and sanitation, infrastructure development, alternative livelihood (C8).*

Although there are no clearly designated guidelines in developing CSR reports in many countries around the world (Adams & McNicholas, 2007), KPMG (2008) indicated that among the several guidelines companies used in reporting their CSR are; the Global Reporting Initiative (GRI), Coalition for Environmentally Responsible Economics (CERES), and the ICC Business Charter for Sustainability Development (ICC). Meanwhile, according to Sawani et al. (2010), the Global Reporting Initiative (GRI) is the most preferred set of guidelines adopted by the majority of companies all over the world. For instance, Hedberg and Malmborg's (2003) study on GRI and corporate sustainability reporting in Swedish companies revealed that, Swedish companies' use of GRI guidelines serves as a template for designing CSR reports.

Contrarily, Bollas-Araya and Seguí-Mas (2013) indicated that although the reportage of CSR have become significant among experts in business, there seem to be a lack of unified criteria for reporting CSR. The researcher therefore speculates that because there is no set standardized guideline and these firms are not compelled to follow any internal or external developed guidelines in preparing their CSR reports, most of these CSR executives and their institutions are ignorant of the existence of any set guidelines. It is therefore not surprising that the CSR information of these companies are reported in a

haphazard and uncoordinated manner. The study revealed that these companies only match their CSR initiatives with their policy and conventions, seek approval from management, ensure that there is enough budget, undertake the project and report on what has been done. Two officers individually stated:

*We do not have a process of developing the report but rather have a process of embarking on the CSR which is automatically reported [. . .] when we receive a request we check to see if it is in line with our policy. Assess our budget and then we proceed to seek approval from the appropriate authorities. After we get the appropriate approval [. . .] we ensure that whatever was requested is provided (C6).*

*[. . .] we do not follow any guidelines [. . .] for the process, all the activities that we have done throughout the year, we try and put them together. Just a few details and write a brief summary of what was done and then we put it out there (C9).*

#### **4.3.1.4 Reasons for engaging in CSR reporting**

Irrespective of the option chosen by companies to make known their CSR information, it was anticipated that companies disclose their CSR information for various reasons. To address this, CSR executives of the sampled organisations were asked:

*What reasons accounts for your companies' engagement in CSR reporting?*

Evidence from the study showed that several reasons account for the choice of reporting of CSR undertakings by the selected firms. Based on the responses, four themes were generated. (i) obligated to report (ii) demonstrate accountability (iii) be a good corporate citizen and (iv) target potential clients.

##### **(i) Obligated to report**

The study points out that, out of the 10 sampled firms, some enterprises especially MNCs representing 40% have an obligation to report their CSR undertakings to their parent companies. It emerged that, because these foreign entities receive some annual

earnings from their parent organisations to embark on their CSR activities, for the sake of accountability, they are impelled to report on such projects. Some officials from the MNCs variously stated:

*We report because we are compelled to report to our headquarters in Paris every year on basically what CSR activities we have carried out and they are supposed to allocate a certain budget to us [ . . . ] it is also to show our shareholders what we do with their money. We are multinationals and Ghanaians will ask what we have done for the country so for them to know that yes we have tried to impact some local communities [ . . . ] because it will be too bad for people to assume that we have come to do all our business and we did not think that we should engage the community [ . . . ] (C6).*

*[ . . . ] we are part of a global organisation and we need to account to our board members and to our headquarters in the UK since they expect that we present a report on our CSR (C4).*

Based on the study finding one may assume that although multinational companies seem compelled to report, it is also a requirement to report in order to satisfy specific stakeholders because as MNCs operating in the country, it would be expected that such companies do not only engage in socially responsible businesses but also demonstrate and show proof of their social responsibility to their stakeholders.

**(ii) To demonstrate accountability**

Although, some others, for various reasons engage in CSR reportage, it is not surprising to discover that out of the 10 selected organisations, 90% stated that they report their CSR information because they needed to account to their shareholders and stakeholders.

In this regard, some reported:

*Because our staff have to know what we used their money for since the staff invest into the CSR activities we undertake (C3).*

*We report because we want our shareholders to know how we are spending their money and any other person that is the external community to know that we are a socially responsible company [ . . . ] (C5).*

From these statements it is evident that companies engage in voluntary reportage to demonstrate accountability to stakeholders. However it is assumed that in this context, although companies report for purposes of accountability, this form of accountability is not related to the CSR actions undertaken by these companies, but rather how investments of shareholders have been expended since most of these people expect more dividends from their investments. This finding is in tandem with Gray et al.'s (1996) assertion that companies increasingly reported their CSR activities in order to improve accountability. Additionally, the study finding also affirms the assertion of KPMG (2011) that for reasons of companies demonstrating accountability for their actions, led to an increase in voluntary CSR reportage (cited in Jain et al., 2015).

**(iii) Be a good corporate citizen**

Besides, the study revealed that a majority of the companies by reason of demonstrating that they are a good citizen, to enhance their image, engage in CSR reporting. Some of the firms proclaimed:

*[. . .] also we want to enhance our brand as a good corporate citizen because we need to create the chance for people to be able to do business well and successfully with us (C9).*

*[. . .] that we may be seen as a good corporate citizen in the eye of our stakeholders and attract more people both local and international to invest in our company (C2).*

*It is just to show our shareholders what we do with their money and also to attract more customers to work with us (C10).*

From the above statements, it is obvious that, some of these companies disclose their CSR because of the need to build and portray a good image to their community members and stakeholders. That is these firms want to be viewed as good corporate citizens by their stakeholders. This finding is evident in assertions of the legitimacy theory which states that organisations are a part of the larger social system and that they can only

survive if they behave responsibly and reflect what society considers acceptable norms and values. Hence it can be surmised that companies report for reasons of attaining legitimacy because, they want to be socially acceptable by their stakeholders as responsible companies. The study finding is consistent with the experimental results of Laine (2009) in Finland and Tilling and Tilt (2010) in Australia that companies disclose their CSR information as a response to societal expectations so as to demonstrate legitimacy to society. Similarly, the result affirms Hinson et al.'s (2010) findings that companies engage in CSR reportage to demonstrate responsibility in order to legitimize their actions. This is further illuminated by the assertion of Melé (2005) that organisations try to report their CSR basically to construct their social imagery in order to achieve competitive advantage.

**(iv) Target potential clients**

The study also found that a majority signifying 90% of the corporations averred that they engage in CSR reporting for reasons of targeting prospective clientele. An institution specified:

*The government of Ghana is a shareholder who owns 40% of the company hence we need to report to get more clients, get more premium and get more profit to ensure that they get their dividends [. . .] we need to let the community know that we are a good corporate citizen [. . .] we want our stakeholders to be aware of the things that we do with the premium that we take. The shareholders have to know that their money is being used for a just cause. Also every corporate institution that donates want mileage and want to be acknowledged [. . .] intentionally it is done to attract more investors (C1).*

This narrative revealed that in order to target potential clients for the purposes of maximizing profit and attracting investors to boost business, companies disclose their CSR information. Again, the statement revealed that in order to receive mileage from both beneficiaries and non-beneficiaries of CSR activities carried out, some of these

firms engaged in CSR reporting. The study findings are consistent with Holcomb et al. (2010) and Skinner and Mersham (2008) that CSR reporting is a means of attracting competent employees as well as investors both locally and internationally.

These varied reasons found in the study to stimulate CSR reportage, affirms the recent assertion of Jain et al. (2015) in advocating support for voluntary reporting, pointing to an increase in CSR reporting because, companies have differing motives for reporting their CSR activities without coercion. However, although these differing reasons account for the increase in companies CSR reportage, it can be assumed that the hidden motive is to ensure profitability in the long run.

#### **4.3.1.5 CSR reporting target groups**

Another significant segment of CSR reporting has to do with who companies refer to as their stakeholders and consider as the target audience of their published CSR information. In order to comprehend this, CSR executives from the selected organisations were asked who they consider as stakeholders and aim to relay their CSR information to. The study discovered that on one hand, companies' stakeholders entail different groups of people, that is, the board of directors, government, clients, brokers, staff, communities, chiefs, and the general public whilst on the other hand the targeted audience of their CSR reports comprised of the board of directors, government, clients, brokers, staff, media, non-governmental organisations (NGOs), communities, Environmental Protection Agency (EPA), minerals commission, chiefs, and the general public.

Although there was correspondence in responses, there were also divergent views with regards to who company's reports were targeted to. Findings of the study indicated that

companies distinctly targeted specific people, despite the lot that their reports targeted. For instance, out of the 10 selected firms, 50% were financial firms whose CSR reportage distinctly targeted brokers, statutory organisations, clients and shareholders, 20% were manufacturing industries whose reports on CSR distinctly targeted shareholders and clients; 20% were oil and gas industries whose disclosure of CSR information targeted the corporate entities they supplied oil and shareholders whilst the remaining 10% was a mining firm whose report on CSR was directed to the EPA and minerals commission.

In this regard some firms exclusively stated:

*Our reports target our shareholders, clients, the regulator, the staff, statutory organisations, government agencies, the community and the general public (C10).*

*When we report we target our shareholder board of directors, the government of Ghana, brokers, agents, staff, the community and the general public and this includes our potential clients (C1).*

*Principally we target our shareholders and also the different stakeholders like the government, the financial community, the media, EPA, NGOs, staff, board of directors and corporate entities that we supply oil (C6).*

*Public institutions like the EPA, the minerals commission, the community, the chiefs, NGOs and any other persons or institutions who shows interest in our reports (C8).*

Based on this finding, it can be conjectured that these groups of stakeholders may be distinctly targeted by these companies in order to receive positive support from them because they play a significant role in the survival of the company since they can positively or negatively influence the actions of the firm. This observation is evident in Savage et al.'s (1991) classification of stakeholders as claimants and influencers. According to him, stakeholders can decide to either join forces with or threaten the organisation. In addition, one could also assume that these groups were distinctly targeted because there might be an expectation that such companies for instance the

mining, oil and gas as well as the manufacturing industries, follow a CSR-based code of conduct since their activities may be causing more damage than good to the environment and societies in which they operate. This is perhaps such firms are required to abide to some international CSR codes including; the OECD guidelines for multinational firms, the Global Reporting Initiative, the UN Global Compact, the Equator Principles, the IFC Performance Standards, the Extractive Industries Transparency Initiative, the UN Principles for Responsible Investment and other anti-bribery compliance, tools and supporting standards.

#### **4.3.1.6 Content of CSR information reported**

Furthermore, with regard to the kinds of CSR information disclosed, the study was interested in ascertaining the nature and forms of CSR activities undertaken by the selected firms. This includes the specific CSR areas these companies are distinctively most active and the kinds of CSR information companies published in their reports as well as the other various outlets. Some questions posed were:

*What is the nature and form of your CSR activities?*

*Which fields of CSR is your organisation most active?*

Primary data from the interviews and secondary data published in annual reports as well as from the website of corporations were used in response to these questions posed. From primary data, the study revealed that overall, the 10 sampled companies undertake CSR initiatives in areas of education, health, sports, community development, water, infrastructural development, alternative livelihood, road safety, employment generation, environment, building skills and capacity of young persons, providing support to underprivileged individuals, groups and institutions and other social services. Although

all the companies undertake various CSR projects, there are specific CSR areas in which these companies are most active. Again the study findings revealed that out of the 10 sampled firms, 40% are most active in only one area of CSR, 30% are mainly involved in two areas of CSR, 20% most active in four areas of CSR whilst a further 10% is mainly involved in six areas of CSR. Of interest are; health, education, sports, water and sanitation, community development, infrastructural development, alternative livelihood and road safety. For example, whereas a financial services company remarked:

*The CSR areas in which our company is most active is in the area of education, sports, health and community development (C1).*

Two other firms from the manufacturing and oil and gas sectors respectively proclaimed:

*Our CSR focus is in the areas of health and education (C7).*

*We are most active in the area of water that is we provide portable water to deprived communities (C5).*

These statements prove that most of these companies have different CSR areas for which they are most actively involved. Besides, evidence from secondary data including three recent annual reports each from the 10 sampled firms and website information are in concomitance with most of the primary data collected. The reports on CSR of these companies yielded relational activities including road safety, health, education, etc. From secondary data, Table 4.2 below, shows the summary of the nature and form of CSR activities disclosed in the annual reports and published on the websites of the sampled organisations.

**Table 4.2. CSR information reported by the selected listed firms**

<b>Nature of CSR</b>	<b>Description</b>
<b>Education</b>	<ul style="list-style-type: none"> <li>• Donated funds in support of a medical exchange program organised by the University of Ghana Medical School (UGMS) and the International Federation of Medical Students Association (IFMSA).</li> <li>• Sponsorship to the Dunkwa West Circuit Education Service to organise their maiden quiz and reading competitions with the aim of enhancing learning abilities of school children.</li> <li>• Support the school building project of the Tinokong presbyterian school at Koforidua.</li> <li>• Support the construction of the vocational block of the Mfantseman Girls Secondary School.</li> <li>• Renovation of school buildings of the Adjumako local basic school in the Central Region in aid of providing conducive classrooms for children within the community.</li> <li>• Donated funds to the Zawadi Africa Education Fund to support a needy but brilliant student to pursue tertiary education.</li> <li>• Sponsorship of 15 orphans of the village of hope orphanage through secondary school, donations in the form providing three-year educational packages to 140 brilliant but needy students at OrphanAid Africa at Ayenyah in the Eastern region.</li> <li>• Renovation of student's accommodation and procurement of equipment's for nursing and midwifery training college.</li> </ul>
<b>Health</b>	<ul style="list-style-type: none"> <li>• Supported to roof the community clinic of the Akyem Kwamang Community-Kade District.</li> <li>• Sponsored the 2014 MOMIC outreach to farmers by medical students of the UGMS</li> <li>• Refurbishment of medical wings of the ridge hospital.</li> <li>• Sponsorship of health screening of cocoa farmers by the KNUST Medical Association</li> <li>• Donated funds to the children's heart foundation for children with heart-related challenges.</li> <li>• Donated equipment to the cardio thoracic centre at the Korle Bu teaching hospital.</li> <li>• Supported the National Polio Immunisation Day organised by the district health directorate at Dadieso in Enchi Region.</li> <li>• Refurbishment of total house clinic.</li> </ul>
<b>Road safety</b>	<ul style="list-style-type: none"> <li>• Organise annual total safety cube concept for school children between the ages of 5-12 in the Ashanti and Greater Accra regions to entrench road safety norms.</li> <li>• Organise annual road safety campaigns for 10 major bus terminals, 13 communities and selected schools in Sunyani, Kintampo, Takoradi-Tarkwa and its environs with support from stakeholders such as the Ghana Police, fire, ambulance services and the national road safety commission.</li> </ul>
<b>Staff development</b>	<ul style="list-style-type: none"> <li>• Organise counselling and testing services on World Aids day and provision of insecticide treated nets to assist in malaria prevention to ensure staff health and safety during their wellness week</li> <li>• Organise staff development initiatives during their innovation week as part developing local talent whereby staff members were given the</li> </ul>

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	opportunity to come up with different ways of doing business.
<b>Water</b>	<ul style="list-style-type: none"> <li>• Eight mechanised bore-hole projects executed at Brong Ahafo, Eastern, Central, Volta and Western regions.</li> </ul>
<b>Community and infrastructural development</b>	<ul style="list-style-type: none"> <li>• Provide support towards rehabilitation of roads and bridges.</li> <li>• Support the building of the Asawinso Palace of the Western North Sefwi Wiawso region.</li> <li>• Provided support towards renovation of the police district office /police station at new edubiase in the Ashanti region,</li> <li>• Provide assistance to the Ghana police command and staff college to renovate an existing structure into a twelve (12) unit accommodation block.</li> <li>• Provided support for the construction of the Tweako to Benteleso road in the Esiama District of the western south region.</li> <li>• Sponsorship to the kotobabi MTTU to renovate their offices.</li> </ul>
<b>Other social services</b>	<ul style="list-style-type: none"> <li>• Sponsorship of the 2013 and 2014 Ghana Cocoa Festival.</li> <li>• Provided support to the Asantehene gold cup tournament.</li> <li>• Donated towards the celebration of the 2014 ohumkan festival by the people of Akyem Abuakwa traditional area.</li> <li>• Provided sponsorship towards the 2014 farmers' award programme for ten (10) districts in the eastern region.</li> <li>• Supported the funeral of the late Kasapreko Kwame bassanyin III of Wasa Akropong.</li> </ul>
<b>Sports</b>	<ul style="list-style-type: none"> <li>• Annual sponsorship of the SIC Nyemitei-SWAG Cup</li> </ul>

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**Source:** Field data (2016)

From the annual reports it was observed that most of these firms targeted certain areas of CSR for reasons of satisfying not only the needs of society but also projects are chosen based on the potential impact it will have on society. It could be surmised that CSR information reported by firms are firm specific since every firm engage in different kinds of CSR. Primary data revealed that most companies usually budget for the CSR initiatives agreed by the firm hence it will be difficult to go round carrying out CSR initiatives suggested by stakeholders that have not been budgeted for. Information from annual reports of three companies concerning why they engage in certain areas of CSR revealed:

*As a socially responsible institution, our aim is to contribute to the growth and development of Ghana by giving back to society to the identified areas (C10).*

*We will persist in contributing to satisfy the needs of such institutions that meet the set requirements of the company (C1).*

*The company continues to provide assistance to communities in which it operates to enhance their living conditions as part of its social responsibility programs. Though the company was not in the best of financial circumstances during the year, we nevertheless found it necessary to maintain the traditional links to our partners particularly farmers (C7).*

In addition, Table 4.2 reveals that majority of the companies practice and report on health and education kinds of CSR because they believe these areas are the most important needs of society, followed by community and infrastructure development, other social services, road safety, staff development, water and sports. Again, Table 4.2 shows that the CSR information reported by all the companies seem to focus largely on philanthropic activities of contributing to the welfare of society to the neglect of the more significant areas of CSR such as the legal and ethical. This finding falls short of Carroll's (1991) assertion that, for companies to be perceived as socially responsible they must embrace the wider range of responsibilities they have to society.

It is not surprising to find that the study finding affirms some studies including Stewart's (2005) study based on the GRI reporting criteria in the mining industry in Australia. He discovered that the rate of recurrence on environmental, social and economic performance indicators were usually low in their reports. Lee (2013) on the other hand examined CSR disclosure among large Korean companies, he found that there were high level of companies recognizing the local community, environment and ethics in their disclosure. He explained the finding based on the supposition that firms in Korea consider CSR in an upper handed approach that is, in relation to the recipients as against recognizing other non-traditional stakeholders who are not as salient as employees or suppliers. That is to say their CSR activities mostly take the form of corporate

philanthropy. He also explained that the high level of ethics disclosure indicated the Asian (Confucian) culture of emphasizing morality. Based on the difference in findings of issues reported one may conclude that information reported on CSR is specific to every country.

In addition, Table 4.2 shows that these selected listed firms focus largely on external CSR to the neglect of the internal aspects of CSR. Primary data revealed that out of the 10 sampled firms, only 10% engaged in some form of internal CSR activity. Hence, it can be concluded that firms practice more of CSR outside the work place environment than CSR that focuses more on the employees, suppliers, etc. The findings of this study are consistent with the findings of Amponsah-Tawiah and Dartey-Baah (2011) that companies in Ghana focus more on external aspects of CSR to the neglect of the internal aspects of CSR where employees operate.

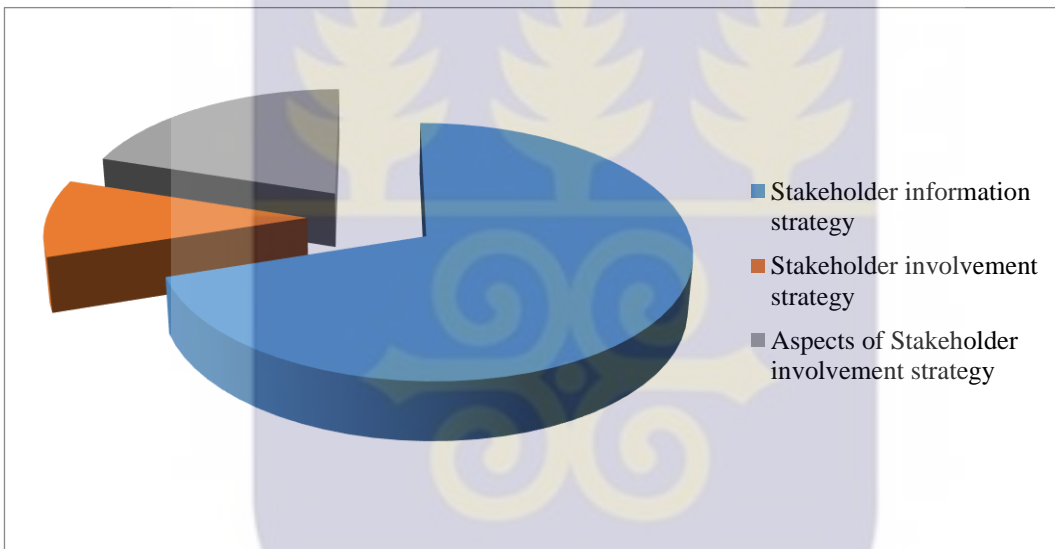
#### **4.3.1.7 Objective 1b: Stakeholder Management Approaches**

In exploring the methods organisations in Ghana adopt in engaging and managing their stakeholders, the study employed Morsing and Schultz's (2006) CSR communication strategy approach. These three strategies are the stakeholder information strategy, stakeholder response strategy and stakeholder involvement strategy. In this section, CSR executives were asked several questions in relation to the strategies each of the companies embrace in engaging their stakeholders. Table 4.3 and Figure 4.1 shows the various CSR communication approaches adopted by companies to manage their stakeholders with their descriptions elaborated below.

**Table 4.3 Stakeholder management approaches adopted by the sampled listed firms**

<b>CSR communication strategies in managing stakeholders</b>	<b>Description</b>	<b>No of Companies</b>
Stakeholder information strategy	One-way communication	7 companies
Stakeholder involvement strategy	Two-way asymmetric communication	1 company
Aspects of Stakeholder involvement strategy	Two-way symmetric communication	2 companies

*Source:* Field data (2016)

**Figure 4.1 Stakeholder management approaches adopted by listed firms in Ghana**

*Source:* Field data (2016)

#### (i) Stakeholder information strategy

According to Morsing and Schultz (2006), the stakeholder information strategy is a one-way communication strategy whereby information flows only from the organisation to its stakeholders and that the main reason for reporting is to inform stakeholders about its good intentions, decisions and actions to ensure positive stakeholder support. To them, management is confident that the company is on the appropriate track, hence the CSR focus for the firm is generated without involving stakeholders. In particular, they emphasized that most of these companies are seen to engage in press relation programs

and mostly try to generate information and news for the media, a variety of brochures, pamphlets, etc., to inform the public. Also after reporting, these companies do not seem to seek nor obtain feedback from their stakeholders, affirming the assertion by Morsing and Schultz (2006).

From figure 4.1, the study clearly showed that out of the 10 sampled organisations, majority representing 70% practice the stakeholder information strategy. In reference, a participant from the financial sector with one-way symmetric strategy disclosed:

*[. . .] Our CSR decisions are principally taken by the company [. . .] we do not engage our stakeholders in our CSR initiatives taken. We do not seek the opinion of the community members on what CSR activities to undertake because it is not a charity but a company who use prime premium to run the company so we cannot go round behaving like a Santa clause asking people for their needs. [. . .] when we report we do not go seeking for feedback [. . .]. We do not allow anyone to pressure and dictate to us especially the media because if we do, we will be running around them, embarking on CSR that we have not budgeted for and we will realize that the shareholders will be waiting for us at the AGM (C1).*

Similarly another participant from the oil and gas industry indicated:

*[. . .] we do not involve our stakeholders in our CSR decision making and actions taken. Because we have made our stakeholders aware of the specific CSR activities that we undertake. When we also report we do not ask them for feedback. We just think about how the CSR project is going to affect the people around and we believe that whatever we do is for a just cause (C5).*

In this context one may deduce that most of these firms may practice the stakeholder information strategy because their focus is mainly to satisfy their shareholders as against their other groups of stakeholders since their shareholders are the owners of the company and their investments seem to be the fundamental reason why these firms continue to operate.

**(ii) Stakeholder involvement strategy**

On the other hand, in stakeholder involvement strategy, companies assume consistent proactive dialogue and engagement with their stakeholders. Thus, such firms are expected to not only influence but also seek to be influenced by their stakeholders. Morsing and Schultz (2006) emphasized that in taking CSR decisions, concurrent negotiations are supposed to be encouraged by firms in order to explore the concerns of their stakeholders at the same time considering the company's choices. Companies are expected to allow for change to occur when necessary especially in cases where stakeholders bring feedback and challenge existing CSR projects.

In addition, the study also found that 20% out of the remaining 30% appeared to have been practicing aspects of the stakeholder involvement strategy, with the other 10% wholly committed to the practice of the stakeholder involvement strategy. Meanwhile, the firm exclusively practicing the stakeholder involvement strategy asserted:

*In managing our stakeholders, we use stakeholder mappings, we firstly identify the stakeholders that we are dealing with and develop mappings and grievance procedures for them because as we enter the community definitely something might go wrong and they would want to communicate to us by giving us feedback [. . .]. Most of our CSR activities undertaken is generated from the community so we do not go to say this is what we want to do for you. We engage and dialogue with them on any decision taken since we are aware that they can influence us and we can also influence them [. . .], we mainly focus on the impact of the CSR project we carry out (C8).*

It is however important to note that although there exists a relationship between firms and their stakeholders, the relationship involves a great deal of coordination whereby firms are often not obliged to implement stakeholder inputs to the latter hence reserves some autonomy in determining the extent of implementing stakeholder preferences, as evidenced in the observations above.

Furthermore, although some companies practice the stakeholder information and stakeholder involvement strategies, some others do not. This latter group rather practice only facets of the stakeholder involvement strategy. In this regard, an informant from the financial industry articulated:

*[. . .] we involve our internal stakeholders in decision making by organising corporate gatherings, corporate events, strategic sessions, whereby people come up with suggestions by identifying individuals or institutions that may need support from us. External stakeholders also [. . .]. Normally during AGMs some shareholders make suggestions as to what they think we can do. However we consider them only if it is worth pursuing by matching it with our policy and if we have budget for it. For one reason or the other if we cannot honour the CSR initiative suggested, we give necessary explanations why we cannot. Because we may have not budgeted for it and it may also not sit with our strategy (C2).*

Besides, it is evidenced that although some organisations invite suggestions from their stakeholders, such inputs are however mainly regarded as proposals and may or not be considered in the overall determination of CSR initiatives. This shows that such firms do not engage in persistent dialogue to arrive at the CSR decisions, rather they are often seen to attach conditions to such CSR suggestions. Also, the study reveals that other companies do not pursue feedback from their stakeholders regarding CSR resolutions. In this regard, an executive remarked:

*[. . .] Those who do business with us also make suggestions as well. However, we do not commit ourselves by honouring a suggestion made outright but make them aware that it is just a suggestion. When we also report we do not go running around for feedback (C10).*

From the above statement it is evident that, although such a company make room for stakeholders to bring their views on board, they however may or may not consider such a request. Also, they do not seek feedback from them even if they should carry out the CSR initiative suggested.

#### **4.3.2 Objective 2: Benefits Associated with CSR Reporting and Stakeholder Management**

The second study objective sought to understand the orientation of CSR executives towards the rewards associated with CSR reporting. Another aspect also sought to determine the benefits gained from managing stakeholders as well as gaining insight as to whether these benefits are the main drivers of the organizations' continuous engagement in CSR reporting. To answer this objective, two main themes were developed: Benefits of CSR reporting and benefits of effective stakeholder management.

##### **4.3.2.1 Benefits of CSR reporting**

To respond to this section, CSR executives from the chosen firms were questioned on whether they gained from engaging in CSR reporting. Findings revealed a significant association, as all the 10 respondents accentuated their overwhelming support for certain benefits in CSR reporting. This demonstrates that just as elsewhere, businesses, particularly these selected listed firms categorically state that they enjoy some benefits from disclosing their CSR information. Arising from the analysis, five main factors/themes were identified: (i) generation of mileage (ii) enhancement of company reputation and brand (iii) attraction of investors and attraction of further contracts (iv) enlargement of clientele base (v) winning awards. These opinions are discussed below.

##### **(i) Generation of mileage**

The study showed that out of the 10 sampled companies, four indicated that their engagement in CSR reporting has enabled them to yield some benefits in the form of mileage. From the interviews, two executives separately recounted:

*As part of the CSR that we do, we get mileage [. . .] some of the receiving entities of our CSR activities give us mileage in other ways by advertising us through their brochures and other publications in which companies make mention of our CSR. Other companies*

*also advertise us after reading our CSR activities carried out through our reports [. . .] basically, on everything CSR report we get mileage (C1).*

*[. . .] we have gained some media exposure from engaging in CSR activities because they cover and report on some of our activities, this has given us some leverage like the grant in that sense. We may not be able to quantify what percentage it has added to our bottom line but we have benefited [. . .] our headquarters also apportion a certain percentage to us every year to undertake CSR of which we report back to them (C6).*

These functional executives acknowledged the fact that their companies have benefited from their CSR reporting practices by way of receiving some profit or advantage from both the beneficiaries of their CSR activities and other non-beneficiaries. These advantages, they stated come in the form of free advertisements in company brochures, newsletters, company web sites, media (radio or television) etc., and grants in the form of contributions, donations and annual earnings. Based on this finding, it could be assumed that, these companies continual engagement in CSR reportage may be as a result of the benefits they gained in the form of mileage in order to reduce their cost of capital. Besides, from observations made, all the 10 selected firms are larger firms hence one may conclude that, as larger firms, they may have enough funds to allot to CSR projects. However it is interesting to note that irrespective of the size of company (small, medium or large), firms may always be attracted to engage in activities where there tends to be immediate gains merely for the purposes of maximizing profit in order to satisfy shareholders. In addition, CSR actions are expected to be voluntary actions taken by firms to embrace the wide range of responsibilities they have to society by being ethically, socially, legally and economically responsible. Thus, it is not surprising that firm's demonstration of social responsibility led to profitable gains.

The study finding is in congruence with findings of Frankel et al. (1995) who found leverage to be associated with voluntary CSR disclosure. According to him, companies voluntarily increase their disclosure of CSR information to lower their cost capital.

Besides, the study findings support Hinson et al.'s (2010) argument that companies are more likely to disclose their CSR information in areas where there tends to be gains.

**(ii) Enhancement of company reputation and brand**

Furthermore, eight officials, deem CSR reporting as an excellent way of enhancing their companies' reputation and brand. Thus, just as one official from an oil firm pronounced:

*[. . .] our shareholders have also commended us in the past few years for undertaking CSR because it was not being done too much in the past like now (C6).*

Two others from the financial industry distinctively ascertained:

*Reporting our CSR have helped in strengthening our brand which provided an advantage for our clients and stakeholders (C2).*

*[. . .] it enhances our brand as a good corporate citizen because we need to create the chance for people to be able to do business well and successfully (C4).*

These discoveries clearly shows that engagement in CSR reporting has helped some of these companies to enhance their brand and reputation. The study therefore suggests that these firms may want to build good reputation because they are listed companies and considered as some of the best performing and competitive companies, therefore it will be to their own disadvantage if their reputation should be questioned. Thus, it is not surprising that firms continued to report on their CSR to build good reputation and brand for business in order to achieve competitive advantage. The study findings support several authors who posit that companies that engage in CSR reporting use it as an impression management tool and take advantage of reporting their corporate philanthropic activities to enhance their image or to achieve corporate reputation (see for example, Castelló & Lozano, 2011; Colleoni, 2013; Gao, 2011; Cour & Kromann, 2011; Michelin, 2011; Othman et al., 2011). The findings of this study is also consistent with

findings of Idowu and Papasolomou (2007) that the motivations behind the issuing of CSR reports in companies in the UK is to build good reputation for business.

**(iii) Attraction of investors and attraction of further contracts**

Moreover, the present study's findings also resonate with the fact that CSR reporting enables firms to attract more investors, supporting prior literature that argued for attraction of local and foreign investors as one of the major benefits of reporting CSR (see, for example, Holcomb et al., 2010; Skinner & Mersham, 2008). In relation to this observation, two executives noted:

*[. . .] we have been able to attract investors because even now we are getting into collaboration with a German institution to work on our CSR (C8).*

*[. . .] if people are just appreciative of the fact that we have survived for all this while, people come to support us because all the oil companies are foreign companies and there are only a few made in Ghana ones and they are just sort of one man companies [. . .] Ghanaians want to support their own (C5).*

In the same vein, one other executive opined:

*[. . .] we have won tenders because we do certain things on CSR and report [. . .]. Generally before a contract is awarded you ought to have done a certain level of CSR [. . .] usually our people who go and do the tendering will go and come back and ask us what have you done on CSR, give us the report, write it and let us go and present [. . .] and at the long run, they come back and say the contract is awarded to us, so definitely we have benefited (C6).*

This observation affirms the fact that companies which report their CSR initiatives are able to win further contracts since some stated that their reports on CSR are essential requirements some organisations use in determining who wins the contract and executes the projects. Based on the findings, it could be assumed that those who award the contracts may have requested for such companies CSR reports possibly because they have no level of ownership over such firms. Thus one may conclude that, due to their

low levels of ownership, such companies may have been able to attract these investors by satisfying their demands for higher CSR disclosure. Furthermore, observations also revealed that some domestic companies are able to attract more local investors because of the old age of the corporation as well as the fact that there are only a few domestic oil and gas companies compared to the MNCs, since one of them noted being able to attract more local investors because nationals are appreciative of the fact that they are not only a responsible company but also have survived for long.

**(iv) Enlargement of clientele base**

The study further revealed that out of the 10 chosen organizations, nine disclose their CSR information to the public as a means of attracting more customers to enhance their business. Three interviewees from three different companies respectively affirmed:

*We have floated our shares and a percentage is for the government of Ghana and the rest is for ordinary Ghanaians [ . . . ] people are still buying our shares because of the CSR we do and report out there (C5).*

*A lot of times we have had new customers that have helped us increased our customer base since some of these customers want to work with socially responsible companies [ . . . ] most of these people usually visit our websites to assess our reports (C1).*

*Our reports on CSR have enabled our company attract more customers to work with us and these have increased the number of customers we serve (C4).*

It is evidently clear from the assertions above that such companies have been able to attract more clients to work with them as a result of their engagement in CSR reporting. Besides the owners of the company, it could be conjectured that clients are the most important because, without clients it would be difficult for firms to operate and maximize profit in order to provide dividends to shareholders. Hence it can be concluded that for reasons of maximizing profit most firms report in order to target potential clients

since most of these clients may also be glad to do business with socially responsible firms.

**(v) Win awards**

Furthermore, since governments, donor agencies and other quasi-governmental institutions have instituted and continued to organise regular programmes in order to reward firms for various reasons, it was not surprising for some organisations to underscore winning of fame and awards as one of the main reasons for engaging in CSR reporting. Thus, a CSR manager from a leading financial organisation stated:

*The institutions we do this for also tend to acknowledge us through awards and others (C2). For instance from the annual reports, company 2 was awarded during the GC 100 awards for their road safety records and also at the West Africa Transporters Convention in Burkina Faso after they swept four out of eight awards. They also won awards on their CSR initiatives at the CIMG hall of fame. Also for their contributions within and out of Western and Ashanti regions.*

The current study findings further illuminates Hinson's (2011) assertion that, in order to increase public recognition of the best performing banks in the diverse areas of banking, the Ghana Banking Awards (GBA) was established as a medium to not only show case and applaud best performing banks in various categories of the Ghanaian financial services market but also among the award categories is a CSR award given to the overall best performing bank in CSR. However as he compared the online CSR reportage of award-winning versus non award-winning banks in Ghana, he found that Agricultural Development Bank (ADB), the bank that won the most socially responsible bank of the year award, had the weakest online CSR reportage with just one report on CSR online. That is although companies may have won CSR awards, they seem to have weak or few

reports on their CSR activities online which is similar to observations made when analyzing information reported on websites of the selected firms in the current study.

However, there were some differences in findings, since the current study findings did not wholly support Hinson's observation, which could be attributed to the fact that Hinson's (2011) study focused on not only the banking sector but also focused on comparing CSR information published on only their websites. However this current study went beyond comparing information on websites of the selected listed firms to take into account CSR information reported in annual reports. It was observed that majority of them disclosed more of their CSR information in their annual reports compared to information published on their corporate websites. In consequence, one may conclude that although companies might have CSR awards and have weak CSR reports online, some actually disclose more of their CSR in their annual reports.

To gain more insight, the sampled firms were asked whether these benefits gained from disclosing their CSR information were the main reasons why they continually engaged in CSR reportage. Amongst others, most of the sampled organizations remarked the foregoing as their main reasons for continuous reportage of CSR activities. Essentially, a participant stated:

*Yes these benefits from reporting our CSR are the reasons why we report to our stakeholders" (C8).*

Similarly another executive disclosed:

*[. . .] it is a motivation if you donate to a cause and the people say thank you or the front page of the daily graphic says: [. . .] donates to Korle-Bu. This makes us feel motivated and this makes us repeat our actions because people heard about it (C1).*

Whilst it suggests that some companies continually disclosed their CSR information because of the gains derived from reporting, others are not in favour of the fact that the benefits serve as motivations to persistently report CSR. Instead they deem it obligatory and legitimate business practice. Also some are compelled to doing so. Nevertheless, some of the corporations especially the MNCs report partly as a proof of their annual earnings provided in support for their CSR undertakings in order to continuously enjoy such privileges. In the light of this, some organisations distinctively stated:

*It is not because of the benefits per say that we report continually but rather we want to affect people by giving back to society. CSR is a new thing and we are measured by our CSR too. That is why we do it because people who want to do business with us want to see that too (C5).*

*As for the reporting it is a requirement. It is about conduct risk that is their conduct as an organisation. Once it is required that you report on CSR, we have to do it. We do not report because of the benefits (C4).*

*The group expects a certain percentage like 10 percent or so. So they expect to see our reports to know how much we have spent on CSR. If a certain amount is budgeted and we do not spend it, they keep reducing the amount (C6).*

For the MNCs, this may be a means of ensuring accountability for their CSR earnings from their parent organisations. But for the wholly owned Ghanaian firms, the necessity could be attributed to their willingness to demonstrate their social responsibility because of the need to lure more of their primary stakeholders such as cocoa farmers, etc., in order to do business with them as it has a major influence on their survival.

#### **4.3.2.2 Benefits associated with stakeholder management**

Here, the quest was to ascertain the extent to which rewards are obtained in relation to firm's overall management of their diverse stakeholder groups and how effectively these contribute to the company. The study found that a majority of the respondents

emphasized the need to manage their stakeholders as failure to do so results in severe consequences. Arising from the interviews three themes were generated: (i) elude pressure groups (ii) enhancing organisational credibility and (iii) ensuring company survival.

**(i) Elude pressure groups**

A majority of respondents 70% reported that effective management of their stakeholders has helped to elude significant pressures. In this regard, a respondent indicated:

*[. . .] our stakeholders are considered as very crucial therefore we do what we call press puree whereby the press and public will gather and raise their concerns for which our bosses respond to them [. . .] we also give our stakeholders free access to the mine so that anything that goes wrong can be communicated to us because if we do not give our stakeholders access and attend to their needs and anything happens the media will just make so much noise about it. These measures we have taken have helped us to avoid pressure from stakeholders [. . .] our major benefit managing our stakeholders is the peace that we get in our area of work (C8).*

It is clear from the statement above that as companies manage their stakeholders effectively they are able to curtail some amount of pressure coming from their stakeholders. This finding is evident in assertions of the legitimacy theory by Dowling and Pfeffer (1975) and Suchman (1995) which states that companies are given the opportunity to seek approval of its actions from society as legitimate since a disparity between the two party's value systems can threaten the firm's legitimacy. Based on this premise, it is not surprising that companies stated being able to operate peacefully without pressure from society since it can be deduced from the statement that, through synergistic value creation, these firms have been able to attain legitimacy and safeguarded themselves against external threats. In addition, it was emphasized by Lee (2013) that the dominant principle of stakeholder management is to achieve maximum overall cooperation between the wider stakeholder groups with diverse interests in the

firm by concurrently dealing with the issues affecting multiple stakeholders. In this present study, it can be concluded that most of the companies seem to grasp the prime import of managing stakeholder relationships.

**(ii) Enhancement of organizational credibility**

From the analysis, in particular, some CSR executives stressed that some of the ways in which they engage their stakeholders is by trying to allow bicameral flow of information to and from their stakeholders, which has enabled them to peacefully coexist and work to improve their performance. This underscores the symbiotic relationship that exists between companies and their stakeholders. Similarly, another executive specified:

*[. . .] these benefits reflect in the way we have influenced our stakeholders positively [. . .] for instance, because our shareholders know what we do with their money, our clients also know what we do with their money. So at worst, if we do not pay them their dividends, they know at the back of their minds that their money was used somewhere or we went to support others and that we are not just sitting down using their money to satisfy ourselves [. . .] it gives our stakeholders especially shareholders some sort of satisfaction because they know and trust that they can stick with us (C1).*

It appears therefore that some institutions place more value on their shareholders and are concerned about issues that may arise when dividends are not paid at the appropriate time. It therefore calls for trust and loyalty which gives such companies the needed support from their shareholders. It further demonstrates a company's level of transparency and accountability to their shareholders which helps to placate some significant pressures that may arise when dealing with stakeholders of differing interests as the main aim of stakeholder management is to administrate the relationship that exists between companies and their stakeholders. Although this finding show the positive effect of stakeholder management, such a company seem to aim more at shareholders which is not surprising because Mitchell et al.'s (1997) stakeholder salience model explains how

firms should prioritize among their various stakeholders. He viewed salience as the degree to which managers address issues of specific stakeholder groups and that making available information to specific stakeholders depends on how salient they are perceived to be in terms of their possession of one, two, or all three of the attributes: *power*, *legitimacy* as well as *urgency*. This study findings however is evident in assertions of Wartick and Mahon (1994) about stakeholders with attributes of urgency. He emphasized that this attribute helps in distinguishing stakeholder claims that demand abrupt attention and care within limits of time. Hence it can be concluded that because companies perceived their shareholders as the most salient stakeholder group with the attribute of urgency, they took measures to ensure a synergistic relationship with their shareholders. This may account for the study finding.

Besides, the findings of the study concurs with Torres et al. (2012) who found sustainability stakeholder engagement to have a positive effect on the credibility of companies; as good management of stakeholders enhances organisational credibility. They explained that in managing stakeholders, firm policies targeted at satisfying the interests of community members helped to reinforce the credibility of their social responsibility policies with other stakeholders, thus, global brands that follow local social responsibility policies in communities, obtained positive benefits through the generation of brand equity, enhancing the positive effects of CSR towards other stakeholders. Similarly, the finding is consistent with Sen et al.'s (2006) study which found that the benefits of effective stakeholder management includes positive effects on investors.

**(iii) Ensuring company survival**

In this regard a CSR representative of an oil giant emphasized:

*This entity is not standing on its own. There are people who put this entity together and there are people who are funding this entity. Also there are others, who whether you like it or not, may not be funding but are also supposed to be very significant because their attributes can actually bring your business down. With this in mind we have been able to manage our stakeholders well [. . .] this have helped us to survive and continue to be in business (C6).*

This organisation acknowledges that the company is not isolated from the society and that there are diverse groups of stakeholders who can either positively or harmfully influence the company. They emphasized the need to manage stakeholders effectively so as to receive positive support from them, as they constitute one of the key factors that contribute to the survival of the company. This evidence supports Freeman's (1984) definition of stakeholders as those who can affect or be affected by the operations of companies. It is evident that in order for companies to placate burdens and ensure survival, they adopt considerable ways of managing their stakeholders.

#### **4.3.3 Objective 3: The Influence of CSR Reporting on Stakeholder Management**

This study objective was advanced to discover the extent to which firm's engagement in CSR reporting could influence how they manage their stakeholders or whether they view CSR reports as an impression management tool for competitive advantage. The study further assessed whether there were some other factors that influenced the extent and nature of companies CSR reports. It was therefore proposed that CSR reporting could positively influence stakeholder management or seen as a tool for effective engagement. From the findings, it was not only observed that CSR reporting has a significant positive influence on stakeholder management, but that the reports are viewed as channels through which companies make available their CSR information to stakeholders. It therefore brings to shareholders in particular, the CSR projects carried out by the

organisation and how parts of their profits and investments are being used. Two major themes were developed (i) positive influences and (ii) negative influences.

#### **4.3.3.1 Positive influences**

In response to positive influences, out of a total of 10 selected firms, CSR reports of nine firms have been observed on one hand to be a source of information to stakeholders and on the other hand seven out of 10 companies viewed their CSR reports as a tool that aids in correcting negative stakeholder impressions. Two themes were devised based on these analysis.

##### **(i) Source of information and accountability**

Although some may argue that the business of business is not to engage in ‘philanthropy’ but to make profit for the firm’s shareholders, it is expedient to note that businesses that operate in society also needs to fulfil their social contract obligations. Since responsible firms usually take advantage of such opportunities to earn competitive advantage over their competitors. In response to this assertion, an official conjectured:

*We do reporting so that people will know that it is not just about you taking from the community but also giving back to society. That is when you find it necessary, you should be able to support the community. As for our company we use our reports to tell the stakeholders what CSR we have undertaken and so without the reports they will never know. Another thing too is that, they might not support what we are doing so if we report to them there will be feedback and if the feedback is favourable then we act on it (C5).*

In addition, two other participants discretely pronounced:

*People do not show interest in reporting CSR that much [ . . . ] only some few institutions engage in CSR reporting. However, we are more interested in our own reports because our Board will want to see what we are using their money for [ . . . ] so the reports become very crucial. The Ghanaian public and other stakeholders may want to get hold of the reports to seek answers to some questions they might want to ask. As for our company, stakeholder management is a crucial issue which has become part and parcel*

*of each company especially when you take the mining companies [ . . . ] we view CSR reporting as a means to manage stakeholders because it helps the stakeholders to understand what is going on since the CSR that we do is for them (C8).*

*It is important for them to know what we are doing first of all with their money that is the shareholders and also for communities to know that whatever we are doing is also in their interest. [ . . . ] why should we not report all these, because the Ghana government will expect us to do something for the country [ . . . ] all these are issues that we cannot gloss over [ . . . ] (C1).*

In effect, organisations believe that most of the demands from stakeholders regarding their CSR initiatives are better answered when the reports are made available and accessible to them. On the other hand, it came to the fore that these published reports do not only serve as pieces of information to stakeholders or seen as management tools but are essential mechanisms for demonstrating accountability to shareholders. Based on the study finding it could be conjectured that since CSR reporting ensures a mutual and dichotomous flow of information between businesses and their stakeholders, it is essential for companies to engage in CSR reporting. On the other hand one may also assume that in this context, the main reason why firms view their CSR reports as information vehicles for stakeholders is the failure of these companies to adopt appropriate mechanisms that promote adequate and reliable communication with particular stakeholder groups, as some for example claim answers to stakeholder issues can be gleaned from their reports.

Besides, the study finding could be held to support the position of Islam and Deegan (2008) that the reportage of companies CSR information is a mode of managing relevant stakeholder groups. They emphasized that these reports serve as a source of information that assist firms in making decisions to effectively manage their diverse stakeholders, in order to enjoy beneficial relationships from them. In the same vein, the study evidence supports Gray et al.'s (1996) definition of CSR reporting which states that, for the

purpose of improving accountability, firms report on their CSR. Some scholars from literature are also of a similar view (see for example, Branco & Rodrigues, 2006; Campbell et al., 2006).

**(ii) Correction of negative stakeholder impressions**

Besides, through the analysis, it emerged that reporting CSR activities to stakeholders helps some companies to positively influence and correct undesirable perceptions that stakeholders have about them. In relation to this, one CSR executive underscored:

*[...] yes of course CSR reporting is an important tool because there are various ways of letting your stakeholders know what you do to keep you in business but you may have latent stakeholders that you are not aware of so someone may go to GIPC and the company is not there, they also do not know you and you are an investor and you happen to pick our reports and read you might decide that this is a company worth investing in [. . .] so why not, it is a good tool that has gone far in helping to even correct certain impressions our stakeholders have about the company and you know these days we have a very vibrant media and so people put these reports on their websites and social media so that somebody somewhere trying to put his money somewhere can just read about it and decide to invest in the company (C6).*

This organisation acknowledges that their CSR reports help correct adverse impressions stakeholders have about them. Nonetheless, the study findings show that these selected firms to a great extent although do not involve their stakeholders in their CSR actions, they value particular stakeholder groups especially their shareholders, media, and the enclaves and communities within which they conduct business. Also to an extent one could glean from this finding that some of these firms are aware of the potential harm their operations can cause to the society and the society as well is aware of the harm caused to them, however these firms try to reach out to some of these communities and intentionally report on their CSR actions as a means of communicating their positive actions taken, just to influence some of the perceptions members of society have of them. The present disclosure provides some validity and support for Husillos-Carqués,

González and Gil (2011) who accentuated that as a result of inadequate communication with stakeholders plus scandals faced by companies, organizations begin to report on their CSR activities. Overall, there seems to be an overwhelming endorsement in the views and expressions of the participants and their organisations as majority appeared to have espoused the declaration of Islam and Deegan (2008) that the reportage of companies CSR information is a tool company's use in managing relevant stakeholder groups.

#### **4.3.3.2 Negative influence**

Furthermore, it is worthwhile to note that whereas CSR reports was perceived by a 90% majority as an impression management tool that helps to influence and manage stakeholder groups, the remaining 10% viewed CSR reports as a negative influence, with the unfavourable influence seen and described as the effect arising from shareholder traditions.

##### **(i) Shareholder traditions**

One CSR executive from a manufacturing organization responded:

*CSR reporting is good. It is done usually for humanitarian purposes. If the funds are available, why won't we use it for CSR? But how would the stakeholders take it? [ . . . ] there is the need to explain to them that we as an organisation need to be socially responsible [ . . . ] our reports on CSR have generated a lot of issues at our AGM. [ . . . ] We have been capitalised by our shareholders because they always query us why we are making loses and still we are using their investment to undertake CSR, instead of running the business and generating profit for them. We do CSR because, we need to lure the farmers to sell us cocoa to run our business [ . . . ] the only way we think we can manage them well is to make enough profit and give them their dividends (C7).*

Thus, it is obvious that although CSR reporting is logically seen as a good practice, the reportage seems to be negatively influencing the way some firms manage their

stakeholders. It is evident that this negative influence of firm's feeling capitalized by their shareholders is as a result of their inability to accrue profits for shareholders leading to the latter's unwillingness to compromise with their investments. For this organisation in particular, it engages in CSR not to only be seen as a responsible company but to attract their key stakeholders (cocoa farmers) who are their suppliers. However this group expects some kind of demonstration of social responsibility from the company in order to supply them with the cocoa needed. On the other hand the shareholders expect that the company generates profit from their investments, instead of undertaking CSR whilst making losses. From this finding, it could be surmised that this deleterious relation follows the inability of company to responsibly explain in detail to their shareholders the reasons that account for their CSR undertakings.

It is the sole responsibility of such firms to effectively communicate and balance the conflicting interests of their stakeholders other than satisfying one stakeholder interest against the other. In consequence, the researcher is of the view that this attitude demonstrated by shareholders as a consequence of the firm's actions can influence not only their CSR actions but also the quality of CSR information to be reported. This observation is in accordance with empirical findings of Golob and Bartlett (2007) covering Australia and Slovenia, that the content of sustainability reporting in such countries is influenced either by shareholder or stakeholder traditions. Furthermore, the outcome provided remarkable support for the assertion of Utama (2011) that pressure from stakeholders can influence the quality of CSR information reported.

#### **4.3.3.3 CSR reporting determinants and influential factors**

This section sought to find out other determining factors that influence the nature and extent of companies' CSR reports. To respond to this, both primary and secondary data

was used concurrently. The factors found were grouped into four major themes: (i) nature of ownership, (ii) age of the corporation, (iii) size of the company and (iv) profitability of the company. The richness of these themes are analysed and discussed below.

**(i) Nature of ownership**

The respondents showed that out of the total sample of 10 companies, six were domestic firms whilst the remaining four were multinational firms. The contents of their reports differed from one organisation to the other. Comparison of these reports revealed that most of the CSR information provided by both domestic and multinational firms failed to meet global standards since some reports were scanty whilst others were undetailed. Also most of these firms CSR activities undertaken were specific to few areas of CSR. For instance one multinational firm indicated:

*Basically we are supposed to follow the groups' standards and the groups standards basically looks at areas such as education, health, road safety, entrepreneurial activities to encourage the youth or supporting the youth in building their capacity to become entrepreneurs. However the main thing we do in Ghana is the road safety because we do a lot of transportation across the country, delivering our products across the country (C6).*

*Our group looks at several areas of CSR but in Ghana our CSR focuses on only building the skills and capacity of young persons (C4).*

The findings of the study on one hand, are consistent with the results of Adams and McNicholas (2007) that CSR reports are influenced by the nature of ownership. Other studies in Finland attest to these findings (see for example, Tuominen, Uski, Jussila & Kotonen, 2008). Nevertheless, the findings of the study did not support the assertions made by numerous scholars who emphasized that, companies exclusively operating in home countries are less likely to embrace the practices of CSR reporting compared to that of multinational companies (see for example, Chapple & Moon, 2005; Golob & Bartlett, 2007). In a similar vein, the study findings supports Newson and Deegan's

(2002) study which found that 81% of disclosures reported by large multinational organizations, which had their 'home base' in Australia, Singapore, or South Korea failed to meet global concerns. Thus it can be concluded that CSR information reported by both the domestic and MNCs sampled for the study did not meet the global standards of undertaking and reporting CSR.

**(ii) Age of the corporation**

Furthermore from secondary data solicited from annual reports and websites of the sampled firms, the analysis of the age of the corporations involved, revealed that out of the 10 sampled firms, majority that is seven were old companies that had operated for more than 30 years whilst the remaining three were classified as young companies that had operated for less than 30 years. Hence the researcher concluded that most of these organisations' reportage of CSR information were influenced by the age of the corporation. From primary data, one CSR executive underscored:

*[. . .] our shareholders have also commended us in the past few years for undertaking CSR because it was not being done too much in the past like now (C6).*

One may assume that as companies continue to operate, they might feel a sense of responsibility to society because they do not live in isolation but are a part of the communities in which they operate thus despite the harm their operations have caused to society they would not have been able to survive if members of society should threaten them. Thus, to safeguard themselves from external threats that may arise, these firms may have demonstrated some social responsibility and accounted for their actions through reporting to show appreciation to their stakeholders. The study finding however are consistent with factors found in business literature that determine the reportage of

CSR information of companies which include the the age of corporations posited by Roberts (1992).

**(iii) Size of the company**

In addition, analysis of secondary data, revealed that all the 10 companies understudied were large companies and all 10 engaged in CSR reporting. Because all the firms selected are large companies one may anticipate that they consistently and voluntarily engage in CSR reporting because they have a larger asset base to devote to social activities. Also it could be assumed that larger firms are likely to face pressure from stakeholders to ensure accountability of their CSR actions since the operations of some of these firms may have caused potential harm to the environment or communities in which they operate. Also, owners may expect companies to demonstrate accountability of their investments made. For instance, from primary data majority of the firms indicated the need to provide information on their CSR to demonstrate accountability to their stakeholders specifically their shareholders. From interview data two executives distinctly recounted:

*We report because we want our shareholders to know how we are spending their money and any other person that is the external community to know that we are a socially responsible company [ . . . ] (C5).*

*[ . . . ] we are more interested in our own reports because our Board will want to see what we are using their money for [ . . . ] so the reports become very crucial. The Ghanaian public and other stakeholders may want to get hold of the reports to seek answers to some questions they might want to ask (C8).*

From these statements it can be deduced that larger firms remarkably stimulate CSR reporting for purposes of ensuring accountability to stakeholders. The study findings are consistent with empirical findings that larger firms are more likely to disclose their CSR information because they are more complex and their stakeholders require more

information (see for example, Andrikopoulos & Diakidis, 2007; Fernández-Feijóo-Souto et al., 2012; Prado-Lorenzo et al., 2009; Siregar & Bachtiar, 2010). Siregar and Bachtiar (2010) further emphasized that this was because larger firms have more resources of which to spread the costs of social responsibility as well as face more pressure to make known their social activities for diverse groups in society.

#### (iv) Profitability of the firm

Information solicited from annual reports and websites of the sampled firms indicated that out of the 10 selected firms, nine reported profit for three consecutive years each whilst only one reported losses for two consecutive years out of three. Based on this observation, it can be concluded on one hand that a firm's profitability may stimulate voluntary CSR reporting. This finding supports assertions made by Lev and Penman (1990) who acknowledged that profitable companies might choose to disclose their CSR information voluntarily. Hinson et al. (2010) were of the same view that firms are more likely to communicate their CSR information in areas where there tends to be immediate gains.

On the other hand, it can also be concluded that profitability does not totally stimulate voluntary reporting on CSR. As some companies continued to voluntarily disclose their CSR information even when they run into financial crisis. From primary data, one executive stated:

*CSR reporting is good. It is done usually for humanitarian purposes. If the funds are available, why won't we use it for CSR? But how would the stakeholders take it? [. . .] there is the need to explain to them that we as an organisation need to be socially responsible [. . .] our reports on CSR have generated a lot of issues at our AGM. [. . .] our shareholders [. . .] always query us why we are making losses and still we are using their investment to undertake CSR, instead of running the business and generating profit for them. We do CSR because, we need to lure the farmers to sell us cocoa to run our business [. . .] (C7).*

In this context it is suggested that the reason for continuous engagement in CSR activities by this firm is because of the need to lure their most important stakeholder group which are the cocoa farmers. Because without these cocoa farmers they may cease to operate irrespective of the amount of capital invested by shareholders since the business solely deals in cocoa. Hence, despite running losses for two consecutive years and being capitalized by their shareholders for generating losses the firm still willingly reported on their CSR. Based on this finding one may conclude that profitability does not always stimulate CSR reportage. The study findings supports Clarkson et al. (2008) and Fernández-Feijóo-Souto et al. (2012) who found no effect in the nexus between environmental performance and environmental disclosure. Comparably, the study findings also support findings of García-Benau et al. (2013) whose exploration of the financial crisis impact on sustainability reporting of Spanish listed companies provided new insights on business behavior regarding CSR reporting, especially in the context of financial crisis. They found that even though the financial crisis raised the question of whether assurance of CSR reports could be a threat for the businesses, bearing in mind the generalized initiatives to cut costs. The results showed that the number of CSR reports increased significantly with the crisis.

#### **4.3.4 Objective 4: Challenges Associated with CSR Reporting and Stakeholder Management**

The fourth objective was geared towards finding out the key challenges firms in Ghana face in association with CSR reporting and stakeholder management. To this end, the study was particularly interested in the challenges firms face when preparing their CSR reports, the difficulties and issues they encounter when they report their CSR activities to their stakeholders as a means of managing their stakeholders. Also, to find out the

methods these companies use in curtailing these challenges. To answer this objective some of the questions posed were:

- a. *What difficulties do your organization encounter when preparing your CSR reports?*
- b. *Explain the hindrances associated with reporting your CSR information to your stakeholders?*
- c. *What difficulties do your organization encounter when managing your stakeholders?*

#### **4.3.4.1 Challenges associated with preparing of companies' CSR reports**

This section sought to determine the extent to which firms face difficulties in going through series of processes to prepare their final reports on CSR of which would be made accessible to the public. The study found that out of the 10 sampled corporations, only two revealed facing challenges when preparing their reports. Further questionings to find out these challenges, respondents indicated encountering difficulties in gathering information needed to develop the CSR reports since diverse officials were put in charge of different CSR projects. Also, due to time constraint as a consequence of the busy schedules of CSR executives', sufficient time was not allotted to prepare the CSR reports. On this basis, two themes were generated: (i) information gathering difficulty and (ii) time constriction.

##### **(i) Information gathering difficulty**

On this premise one executive recounted:

*We do not face any challenge in reporting to our stakeholders because they know what we do [ . . . ] the only challenge we face when developing our reports have been the difficulty in gathering data because different people are put in charge of different CSR activities we embark on (C8).*

**(ii) Time constriction**

On the other hand another executive reported:

*[. . .] sometimes as a result of time constraint because of our busy schedules, we are unable to gather all the information we need in preparing the report [. . .] but we have never had any issues arising from our stakeholders (C4).*

**4.3.4.1.1 Why no challenges to preparing of CSR reports?**

From the study analysis the remaining eight representing the majority, indicated facing no challenges when preparing their reports. Further questionings to find out reasons why these companies faced no challenges when preparing their reports, they revealed only summarizing and reporting the CSR activities they had carried out. From this response the researcher developed the theme, recapitulation of CSR activities.

**(i) Recapitulation of CSR activities undertaken**

Based on this premise, one respondent underscored:

*We have not faced any difficulties in preparing and reporting our CSR activities to our stakeholders because it is basically about the CSR activities that have taken place, so we normally educate the public about why we did what we did [. . .] the media themselves capture everything so there is no oversight of anything (C4).*

A diagrammatic representation signifying the number of companies who faced challenges associated with the preparation of CSR reports; reporting to stakeholders; and managing stakeholders as against companies who faced no challenges is illustrated in Figure 4.2 below.

**Figure 4.2 Challenges associated with CSR reporting and stakeholder management**

**Source:** Field data (2016)

#### 4.3.4.2 Challenges associated with company's reportage of CSR information to stakeholders

Although nine representing the majority faced no challenges reporting their CSR information to stakeholders, one responded to the contrary. Based on the responses, the researcher developed the theme communication challenges.

##### (i) Communication challenges

An interviewee specified:

*Our shareholders are very unhappy when we are running losses and undertaking CSR actions with the money they have invested. Anytime we report on our CSR they are very unsatisfied. Meanwhile before we are able to lure these farmers to sell their cocoa to us in order to run our business, we need to exhibit some kind of social responsibility. Our shareholders want their dividends, we want cocoa and the cocoa farmers want us to show some kind of social responsibility. It becomes difficult trying to balance these interests (C7).*

It is obvious that although the majority of firms faced no challenges in reporting their CSR information to stakeholders, the reportage seems to be raising concerns for some companies. It is evident that some companies encounter challenges when they report to their stakeholders, specifically, shareholders. This is because they did not effectively communicate their CSR intents to their shareholders. As a result when they report their shareholders seem unsatisfied with their CSR message. From the findings, it could be conjectured that the inability of the company to communicate effectively to shareholders their original intent for undertaking CSR actions even when they unexpectedly run losses may have led to stakeholder scepticism. Stakeholder scepticism has to do with the doubt stakeholder's associate with company messages on CSR. It is not surprising that this is in line with the position of Dawkins (2005) and Abugre (2011) that the inability of firms to communicate effectively their CSR to stakeholders results in stakeholder skepticism towards company messages.

Additionally, the study result confirms Skouloudis et al.'s (2012) study on airports CSR reports and stakeholder engagement. They found that although CSR reporting was not a common practice among international airports, these airports provided minimal disclosures of their CSR performance. They further emphasized that the efforts made by the airports to demonstrate their accountability efforts were compromised with vague and inconsistent disclosures, which left room for skepticism on the quality and meaningfulness of their reports. However the findings of the study contradicts Leftwich, Watts and Zimmerman's (1981) arguments that the demand for CSR information of companies increases as the debts of firm grow since such firms continually reported even though they recorded losses.

#### **4.3.4.2.1 Why no challenges to company's reportage of CSR information to stakeholders?**

The study revealed that the majority of companies (90%) encountered no challenges when they reported their CSR information to their stakeholders. From the narrative, the reasons for encountering no challenges was attributed to the selective, self-laudatory and strategic character of companies. That is, companies carried out selective and restricted CSR activities which were automatically reported to stakeholders. Two themes were however generated: (i) engagement in restricted CSR activities and (ii) committed to selective CSR reporting. The richness of these themes are elaborated below.

##### **(i) Engagement in restricted CSR activities**

The study found that these restricted CSR activities carried out by such companies were attributed to the specific CSR areas these companies were presumed to be active. A participant indicated:

*No, we face no challenges reporting to our stakeholders, because we have made them aware that the water that we provide is constant. We will do it every year and so for that we always budget for it (C5).*

From the statement, it appears stakeholders are aware of the specific CSR activities companies undertake, hence automatically these activities comprised the information they reported. Besides, evidence from analysis revealed that all the companies budget for the specific CSR actions decided on and ensure that these projects are carried out annually thus anything beyond what they have budgeted may not be fulfilled. Based on this finding, it could be assumed that most of these companies might have made such decisions to restrict themselves to undertaking CSR in specific areas in order to not only silence stakeholders from challenging either existing or non-existing projects yet to be

carried out but also to avoid running around embarking on CSR they have not budgeted for.

**(ii) Committed to selective CSR reporting**

On the other hand it came to the fore that CSR executives of the sampled companies, particularly selected the kinds of information they wanted to disclose to their stakeholders. According to them they do not report on every CSR action undertaken since their principle is to stay out of trouble. What's more, evidence from secondary data accentuated these assertions since information on CSR were presumably scanty in annual reports and websites of some companies, although majority disclosed more CSR information in their annual reports. Also, all the reports included only positive information about these firms. In relation to this an executive proclaimed:

*We face no challenges reporting to our stakeholders because what we do is what we report and it is not everything that we report since staying out of trouble is one hallmark (C8).*

From this findings one may infer that, in order to escape the challenge of being answerable to stakeholders most especially shareholders for carrying out specific CSR activities, companies report on what they want their stakeholders to be aware of. Not only that, they also report on CSR that will enable them receive support from their stakeholders. Thus, it is not surprising that some critics condemn numerous companies CSR information disclosed for being self-laudatory, selective, and strategic in character (see for example, Archel, Fernández & Larrinaga, 2008; Criado-Jiménez, Fernández-Chulián, Larrinaga-González & Husillos-Carqués, 2008), anecdotal in character (Tulder & Zwart, 2005) scattered and unstructured (Tsang, 1998) and inconsistent in quality (Kolk, 2004). In the same vein the results authenticate the position of Holder-Webb et al.

(2009) who asserted that most of the information voluntarily disclosed in sustainability reports sheds only a positive light on the particular company.

#### **4.3.4.3 Challenges associated with stakeholder management**

Again, interviewees were asked whether they faced any issues when managing their stakeholders. From Figure 4.2, the majority indicated facing no challenges whilst two stated facing some challenges managing their stakeholders. This challenge however was attributed to conflicts arising from different stakeholder interests. Thus the theme conflicting interests of stakeholders.

##### **(i) Conflicting interests of stakeholders**

Based on this premise an official stated:

*At times the peoples understanding of what you want to do against what they want becomes an issue. Because sometimes the people cannot differentiate between what they want and what they need. So sometimes there is that challenge in the case of what would benefit the wider number of people and what is more sustainable to do but we try our best to negotiate and dialogue with them to arrive at an agreement (C4).*

*[. . .] our shareholders want their dividends, we want cocoa and the cocoa farmers want us to show some kind of social responsibility. It becomes difficult trying to balance these interests (C7).*

From the above statements it is obvious that some companies faced challenges of balancing the conflicting interests of their various stakeholders. As a result they find it very difficult to manage them. One may deduce that if such companies should grasp the primary importance of managing stakeholders through continual dialogue and effective communication they may achieve synergistic relationships with their stakeholders. However, in resolving these challenges, CSR executives' of such companies stated that

they try to curtail these challenges by continuously engaging in dialogue with their stakeholders.



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter completes the entire study. It presents the summary, conclusion and recommendations. The summary highlights the key findings whereas logical inferences and directions are presented in the conclusion. The chapter ends with the study recommendations which outlines policy directions and implications for industry and practice and suggestions for future research.

#### 5.2 Summary of Findings

The study sought to explore CSR executives' perspectives of CSR reporting and stakeholder management in Ghana. It in addition examined the approaches companies adopt in reporting CSR and managing their stakeholders, the possible benefits and difficulties associated with CSR reporting and management of stakeholders, as well as the extent to which reports on CSR are used as impression management tools in influencing the management of stakeholders. To understand the depth of the subject, the cross-sectional survey was employed using the qualitative methodology. The purposive and stratified sampling techniques were used to draw a total sample of 20 firms from the mining, manufacturing, financial, and oil and gas sectors, listed and consistent on the GC 100 from 2010 to 2012 of which 10 of them participated in the study. In all, four study objectives and two propositions were suggested and assessed using the thematic and descriptive analysis. The key findings are as follows:

### 5.2.1 CSR reporting and stakeholder management

Finding suggests that the firms in Ghana generally disclose their CSR information either using an embedded CSR report or both the embedded reports (documents for which CSR information are a part of) with standalone CSR reports (documents designed intentionally for reporting only information on firms CSR activities carried out) concurrently. Thus, although annual reports were found to be the most conveniently adopted channels for CSR reporting, some firms use both annual and separately designed CSR reports concurrently mainly because they are multinationals and are obliged to do so. They do so to demonstrate accountability, prove to be a good corporate citizen and target potential clients, etc. It suggests that companies in Ghana are not only restricted to using the two key approaches in reporting CSR but also adopt other means such as the corporation's websites, calendars, publications in the newspapers, magazines, newsletters, brochures, press conferences, radio, television as well as through verbal presentations at Annual General Meetings (AGMs) of shareholders. This is observed to be influenced by the need to reach not only their target stakeholder groups, but also others who may directly or indirectly influence their performance. For such companies, mainly private do not use such other outlets in reporting their CSR, perhaps not only due to their focus on staff as their stakeholder group, but also no external groups or governing mechanisms seems to be compelling them to conform to such practices.

Regarding the preparation of CSR reports, it was revealed that Ghanaian listed firms are ignorant of the various reporting guidelines in CSR reporting. As a result, none of these firms follow any set internal or external guidelines in preparing their CSR reports. Besides, most corporations are not guided by any written codes or CSR policies, rather they are steered by undocumented policies in the form of conventions which emanate from the exact CSR areas they are most active. In effect, this could account for the

disorganized, haphazard and unsystematic CSR reporting styles adopted by listed companies. Meanwhile, firms seem to voluntarily report on CSR to diverse group of stakeholders including the BoDs, clients, brokers, staff, media, NGOs, communities, chiefs, regulators, and the general public, however most of them appear to distinctly target particular stakeholder groups. The intention could be reinforced by the need to abide by certain CSR-based codes of conduct since the outcome of their operations may be detrimental to society.

It is observed that the content of CSR information reported mainly covers education, health, sports, community development, water and infrastructural development, alternative livelihood, road safety, employment generation, environment, skill and capacity building, provision of support to the underprivileged, groups and institutions and other social services. In a more pragmatic way, companies seem to focus more on external aspects of CSR to the neglect of internal CSR initiatives. Besides, they are mostly found in the areas of health and education, attributed to the fact that these zones are seen as the most significant tools and peculiar needs of humanity. Meanwhile, out of the three communication strategies assessed, stakeholder information strategy which is a one-way communication approach in engaging and managing their stakeholders, is expressed as the most favourable approach in CSR communication, fuelled by the need to focus more on providing information and demonstrating accountability to their shareholders as against the wider group of stakeholders.

### **5.2.2 CSR reporting and its influence on stakeholder management**

The findings of the study showed that, whilst CSR reports serve as tools and mechanisms for demonstrating accountability and correcting negative impressions, these reports do not only positively influence but also adversely influence stakeholder traditions

especially during financial crisis. Interestingly, unlike profitability, company demographics such as; nature of ownership, age of the corporation and size of the company have been found to remarkably stimulate CSR reports.

### **5.2.3 Benefits and challenges associated with CSR reporting and stakeholder management**

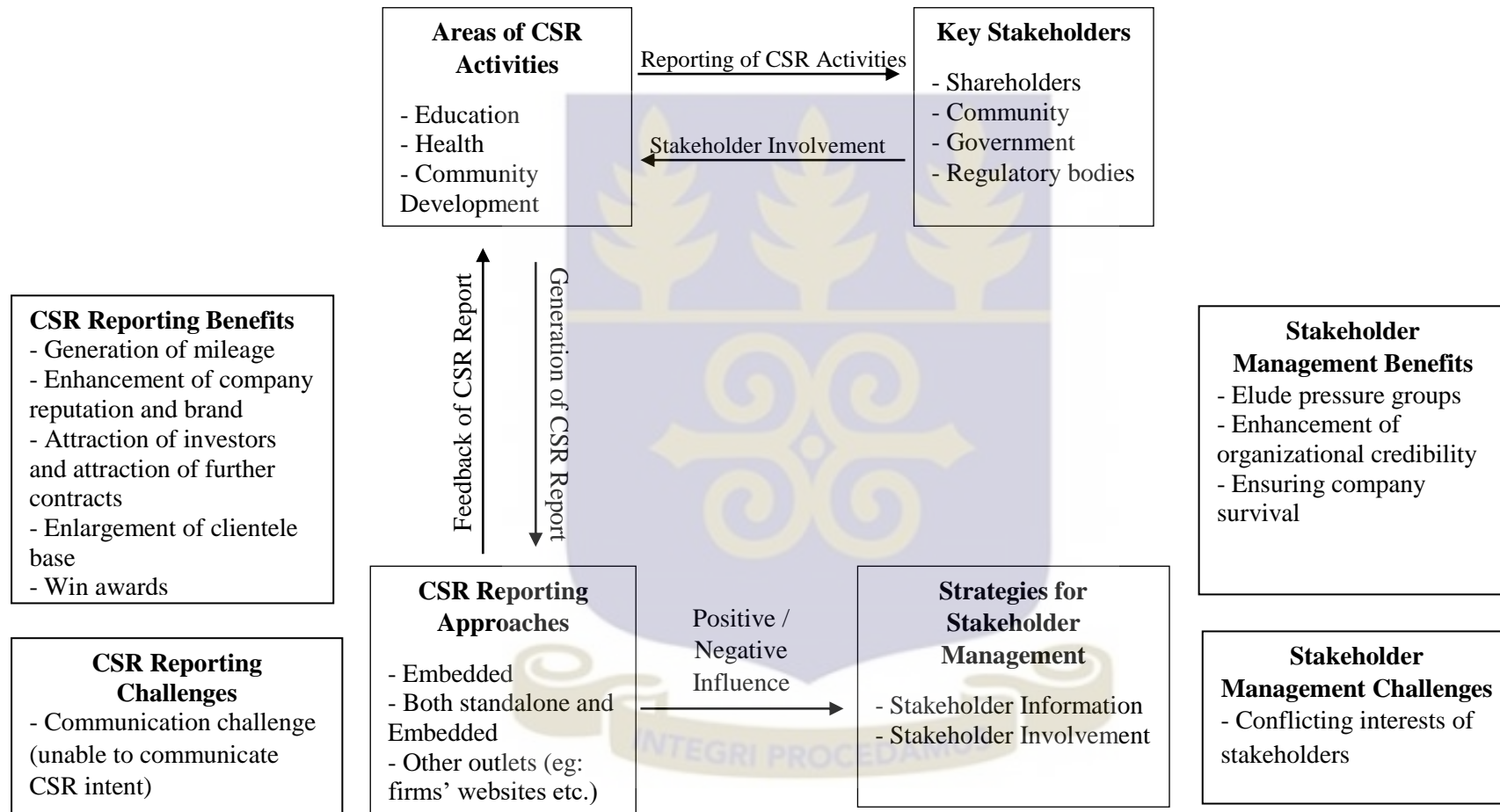
The study findings elaborated numerous benefits firms attain as they voluntarily increase their CSR reportage. They take advantage of voluntarily reporting their corporate philanthropic activities to generate mileage, enhance company reputation and brand, attract investors and further contracts, enlarge their clientele base and winning awards. Besides, in order to elude pressure groups and enhance their credibility, these companies adopt effective means to manage their stakeholders for the ultimate purpose of ensuring survival and enhancing performance.

Finally, most Ghanaian listed firms do not seem to face significant challenges in preparing and reporting their CSR, mainly due to the selective, self-laudatory and strategic character of companies, having engaged in restricted CSR activities and committed to selective CSR reportage. The few with challenges are as a result of ineffective communicating of CSR intents with shareholders, resulting to shareholder scepticism. In managing stakeholders however, some companies are challenged with balancing the conflicting interests of diverse stakeholders, although most are resolved via continuous and recurrent dialogue with stakeholders.

### 5.3 Revisiting Conceptual Framework

In chapter two of the research in which literature was reviewed, a research framework was proposed which indicated that a relationship existed between CSR, CSR reporting, stakeholders and stakeholder management. Besides, it was suggested that CSR reporting will have a positive influence on stakeholders. Nevertheless, after empirical analysis, a revisit to the conceptual framework in figure 2.1 may be understood in the light of the revised framework in Figure 5.1 as follows: from the findings the framework demonstrates that although a relationship exists between CSR, CSR reporting, stakeholders and stakeholder management, companies are not restricted to the use of standalone and embedded general reporting practices, but also use other means of disclosing their CSR information to their stakeholders. Besides other benefits and challenges were found to be associated with CSR reporting and management of firm stakeholders. The new framework further indicates that CSR reporting is not only a tool that firms use to positively enhance their stakeholder relationships, but then again can adversely influence the way firms manage their stakeholders especially during financial crisis. Thus it was concluded that CSR reporting is not only a tool firms can use to positively stimulate effective management of stakeholders but can adversely influence the relationship they have with their diverse stakeholders.

**Figure 5.1. Revised conceptual framework of CSR reporting and stakeholder management**



Source: Author's construct

#### 5.4 Conclusions

Overall, there is some support for the relevance of CSR reporting as a tool for managing stakeholders. Whilst it is observed that the extent of CSR disclosure or reporting and its cross sectional distinction may provide useful hunch for corporate decision making and resolutions as well as the design of regulation on CSR, the most crucial elements of reporting are related to its content but not quantity (Andrikopoulos, Samitas, Bekiaris, 2014).

It seems that listed firms in Ghana might have concerns for the local communities and the external environment in which they operate; many are quite deficient regarding CSR information disclosure or reporting. At best, CSR reporting targets largely the shareholders and the need to meet regulatory demands rather than understanding obligations to other relevant stakeholders and the public at large (Lee, 2013). However, considering the gradual increase and appreciation in the adoption of diverse reporting channels, may be a sign of improvement of CSR activities and recognition as well as the extension of CSR institutionalization by listed firms in Ghana. In contrast, more attention needs to be provided in publishing sustainability reports that recognizes other valid stakeholders including employees, suppliers and customers. The most paramount policy implication is that considerable scope remains for improved accountability through CSR reporting. Stakeholder management also needs to be heartened by incorporating the views of minority and low salience stakeholder groups of the respective institutions and the general public. It is suggested that to improve the future engagement of CSR reporting practice, comprehensiveness and usefulness of CSR information, the ‘expectant’ and ‘latent’ stakeholders ought to be thoroughly engaged by corporate management in identifying and understanding their needs (Dong et al., 2014).

## 5.5 Recommendations

From the findings the following recommendations are presented. For effective CSR reporting, policy makers and regulatory bodies are advised to provide and promote standardized guidelines, not only for listed but also all entities in the country. For instance since the most widely and acceptable form of guidelines used worldwide in preparing CSR reports is the Global reporting Initiative (GRI), it will be expedient for Ghanaians to adopt similar guidelines. Also, there is the need for regulators to formulate and provide a unified and common CSR policy code akin to European and Asian nations. This for example includes the Asia-Pacific Economic Cooperation (APEC) codes of conduct such as; the Hanoi Principles for Voluntary Codes of Business Ethics in the Construction and Engineering Sector, the Social Accountability International (SA8000), and World Responsible Apparel Production (WRAP). The effort requires not only implementing universal codes and principles but such frameworks should be more suitable to the demands of the Ghanaian society. Perhaps, such standards must enjoin corporations to adopt CSR strategies that cut across both external and internal boundaries rather than mere philanthropy.

Furthermore, this study suggests that companies in Ghana should adopt appropriate means of managing their stakeholders. Thus, CSR executives including both CEOs and CSR managers should formulate and implement stakeholder management policies at firm-level that takes into account the stakeholder involvement strategy which is a two-way proactive symmetric communication approach of engaging stakeholders. These measures may encourage trust and engagement between firms and their stakeholders thereby helping to enhance stakeholder confidence.

Finally, it is recommended that, CSR information reported by firms in their annual reports should be more informative and nuanced and capable of meeting the informative needs of their various

publics in order to achieve positive support from them, which may invariably contribute significantly to organisational performance.

### **5.6 Limitations and Recommendations for Future Research**

Notwithstanding the gains, some inevitable difficulties were encountered during the study period. The study focused on CSR executives which included CEOs and CSR managers. Because of the difficulty in reaching CSR managers of some companies, the sample was restricted to 10 firms whereas there are about 34 listed companies that were consistent on the GC 100 from 2010-2012. The study was deficient in going beyond the CSR executives to getting inputs from firm CEOs who are equally significant and may have had crucial insights in shaping the discourse. Potential studies may eliminate this bias and devise efficient and strategic ways of sieving information from these essential individuals. It will therefore be insightful for future studies to devote more time and resources to consider CSR reporting and stakeholder management from the perspectives of both CEOs and CSR managers.

Future studies may also consider exploring the subject from industry specific perspectives in order to gain more insight into the differences in sector reports of CSR and management of stakeholders. Also, the study did not examine CSR reporting from the perspective of stakeholders such as the board of directors, government, clients, staff, media, NGOs, community members, the regulatory bodies as well as the general public to ensure consistency in information provided by CSR managers. This may provide avenues for new researches to provide in-depth insight into CSR reporting and stakeholder management in Ghana.

Although a preliminary test was conducted, and the design of the voluntary reporting checklist was obtained from extant literature to ensure the comprehensiveness of the checklist, it is not

certain that the designs captured all possible reporting and stakeholder management issues of the sample firms. It is also not certain that compiling the checklist and developing the interview guide was free from some degrees of subjectivity. Thus, although measures were put into place to ensure the reliability of the data, it was not possible to avoid errors in selecting reporting items and interrogating them as such. In the process of extracting the information, it was almost impossible to differentiate between the companies that have extra information but elect not to disclose it for reasons such as proprietary costs, and those that genuinely have no extra information to disclose, nor was it reasonable to assume that the non-disclosure companies were those that have extra information but do not want to disclose or report to the public (Qu et al., 2013). Hence, the possibilities of findings to be affected by such companies that genuinely do not have any extra information to disclose. It would therefore be desirable for new studies to address the information usefulness of voluntary reporting among Ghanaian listed firms.

With resources and time available, the study could have gone beyond the listed firms and consider other unlisted firms. Future studies may design more appropriate methodology that curtails the tremendous difficulties associated with gathering information and explore the phenomenon from multiple dimensions. Besides, the study was conducted using a qualitative and exploratory approach. New studies may employ some elements of quantitative methodology in drawing the study subjects which may provide significant difference in findings.

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## APPENDICES

### APPENDIX A: INTERVIEW GUIDE

#### INTRODUCTION

I am an Mphil student of the University of Ghana Business School. I am conducting a research on “**An Exploration of CEOs and CSR Managers’ Perspectives of CSR Reporting and Stakeholder Management in Ghana**”, tailored to meet the partial fulfillment of the award of Mphil degree in Business Administration. The research is entirely for academic purposes hence any information provided would be considered valuable for the research. It is hoped that you would be candid as possible because all the responses would be treated as confidential. I would be very grateful if you could assist in answering the questions below. The questions serve as an interview guide for you to go through before the interview takes place.

Thank you for your understanding and co-operation.

#### SECTION A:

##### PERSONAL PROFILE

1. Gender (a) Male (b) Female
2. Job title?
3. Level of education?
4. How long have you worked in your organization?

#### SECTION B:

##### INTERVIEW SCHEDULE:

##### **CSR REPORTING APPROACHES AND STAKEHOLDER MANAGEMENT APPROACHES ADOPTED BY COMPANY**

5. Do you have a policy document on CSR?
6. Does your organization have a separate department for CSR?
7. What are the functions of the department?
8. Do you engage in CSR reporting? Is it embedded or standalone?

9. What reasons account for your companies' engagement in CSR reporting?
10. Describe the process of developing your CSR reports?
11. What are the guidelines that you follow in preparing your CSR report? Why?
12. What is the nature and form of your CSR activities?
13. Which fields of CSR is your organization most active?
14. Which medium do you adopt in disclosing your CSR activities to your stakeholders?
15. Who are your stakeholders? Who are the targeted audience of your CSR reports? Why?
16. What strategies do you adopt in managing your stakeholders? Why and How?

**SECTION C:**

**BENEFITS ASSOCIATED WITH CSR REPORTING AND STAKEHOLDER MANAGEMENT**

17. What are the benefits you derive from CSR reporting?
18. Are these benefits what motivate you to continually report your CSR activities to your stakeholders?
19. What benefits do you gain from managing your stakeholders?

**SECTION D:**

**CSR REPORTING AND ITS INFLUENCE ON STAKEHOLDER MANAGEMENT**

20. Do you view CSR reporting in general as a tool used in better managing stakeholders?

**SECTION E:**

**CHALLENGES ASSOCIATED WITH CSR REPORTING AND STAKEHOLDER MANAGEMENT**

21. What difficulties do you or your organization encounter when preparing your CSR reports?
22. Explain the hindrances associated with reporting CSR information to your stakeholders?
23. How do you resolve these hindrances?
24. What difficulties do you encounter when managing your stakeholders?
25. How do you resolve these challenges?

**APENDIX B: OBSERVATIONAL CHECK LIST**

Name of organization	
Organizational sector	
<b>LIST/ITEM</b>	<b>TICK IF AVAILABLE</b>
Department for CSR	
Availability of CSR policy	
Availability of reports on CSR	

