Aalto University
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"True and Fair View?"
A Critical Discourse Analysis on How Companies Report on Negative Corporate Social Responsibility Events

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Abstract

This Master's thesis studies the reporting practices of two Finnish case companies, Stora Enso Oyj and Kesko Oyj, with regard to their reporting practices on their negative corporate social responsibility events. The objective of the study is to understand how a negative corporate social responsibility event affects and changes reporting practices of a company. In particular, as the legislative requirements regarding non-financial reporting have been becoming more stringent, this Master's thesis evaluates the reporting practices especially in the light of the accounting principle of "true and fair view", which is more and more becoming a standard concerning non-financial information.

The research questions set forth for this Master's thesis are: 1) How does a negative event in the field of corporate social responsibility affect a company's social responsibility reporting; and 2) How does a company strive to legitimate its non-compliance with socially accepted norms and values in its corporate social responsibility reporting. Through critical discourse analysis, I identify practices utilized by the companies both affecting the overall reporting of the company and reporting on the respective negative events of both case companies. The theoretical framing builds up on the theory of legitimacy and the conceptualization of moral legitimacy, arguing that corporate social responsibility is constantly renegotiated through dialogue and conflicts between the company and its stakeholders.

Based on the data analysis, it is clear that company practices with regard to their responsibility tend to alter as a result of a negative event. This is made possible as the concept of corporate social responsibility is defined partially ambiguously in the corporate social responsibility reports of the companies, leaving room to modify the definition when facing negative events. In addition, the companies had tendencies of emphasizing positive aspect of their performance and discussing less the negative sides of their business. This tendency was highlighted also when discussing the respective negative events of the case companies as practices such as discussing future performance and measures instead of focusing on the past performance, and avoiding culpability were identified.

In 2014, the European Union approved the directive on disclosure of non-financial and diversity information by certain large undertakings and groups (2014/95/EU), making non-financial reporting mandatory and a legal requirement for many large undertakings. This raises the level of reporting requirements substantially as non-financial reporting becomes more binding by nature and legally constrained. Consequently, this study raises the question whether corporate social responsibility reporting practices on negative events gives the "true and fair view" on the companies' performance, which currently is required in financial accounting but will become more and more as the leading principle also with regard to non-financial reporting.

Keywords Corporate Responsibility, Corporate Social Responsibility, Corporate Responsibility Reporting, Non-Financial Reporting, Negative Events

Contents

1 Introduction

1.1 Background

Corporate social responsibility has a longstanding history, the modern era beginning in the 1950's (Carroll 1999) and discussions on the purpose of the company commencing already well in advance. However, corporate social responsibility has been of ever increasing importance in the 21st century due to factors such as the globalizing environment where companies operate and the growing pressure from company stakeholders towards companies to respond to social and environmental problems faced in society, among other factors (Margolis and Walsh 2003; Smith 2003).

Even though we use corporate social responsibility customarily, the concept has been debated and has altered throughout the years, hence leaving the definition of corporate social responsibility somewhat unclear (Dahlsrud 2008). Thus, companies are facing a growing pressure towards corporate social responsibility, a concept that cannot be unambiguously and value-boundlessly defined. We can state that there is a common understanding that corporate social responsibility includes the domains of economic, social and environmental responsibility in accordance with the domains of sustainable development (Niskala et. al. 2013, 17-18), yet, we cannot demonstrate comprehensively what these fields include and what they do not.

Notwithstanding the partly ambiguous nature of corporate social responsibility, the pressure towards its broader implementation into corporate practices exists. Corporate scandals and the aforementioned pressure towards broader responsibility of companies towards the society have led to the development of more stringent requirements on corporate reporting and legislation. The financial scandals of for instance Enron and WorldCom in the beginning of the 21th century lead to the adoption of a more restraining legislation in particular in the United States in the form of Sarbanes-Oxley Act (Stout 2012).

However, such developments do not only touch upon financial responsibility of companies, as especially in Europe there are signs of codifying tendencies also in

the field of environmental and social responsibility. In particular, the adoption of the directive on disclosure of non-financial and diversity information by certain large undertakings and groups (2014/95/EU) (hereinafter "Directive on Non-Financial Reporting") amending the Accounting Directive (2013/34/EU), making reporting on non-financial information mandatory for companies considered sufficiently large, indicates a trend towards more legally binding obligations set out in order to ascertain companies' compliance with what is considered socially and environmentally acceptable.

Consequently, this study builds up on legitimacy theory and the assumption of growing importance of moral legitimacy when defining the corporate social responsibility of a company. Moral legitimacy is defined as moral judgments on whether the actions of a company are deemed acceptable and justifiable in the relevant socially constructed value system (Suchman 1995; Palazzo and Scherer 2006). Following the definition of moral legitimacy, corporate social responsibility of a particular company is then seen to be in constant flux with the expectations on social responsibility that derive from society at the given point in time. Thus, corporate social responsibility is context dependent and cannot as such be exhaustively defined.

In the light of the approach taken in this Master's thesis and as described above, I conclude that corporate social responsibility is handled as a context dependent and constantly evolving concept that reflects the then current expectations on how a company should operate responsibly. As in this study I build up on legitimacy theory highlighting the social nature of what is regarded as corporate social responsibility and discuss the conceptual development of corporate social responsibility, I consider corporate social responsibility to be the appropriate conception used in this Master's thesis even though nowadays companies tend to utilize the concepts of corporate responsibility and sustainability more often.

In line with the development described above, this study strives to contribute to the understanding of corporate social responsibility in today's context by analyzing how companies redefine their corporate social responsibility and their legitimacy in their corporate social responsibility reporting while facing a negative corporate social responsibility event. For the purposes of this Master's thesis a negative corpo-

rate social responsibility event shall have the meaning of an event that is seen controversial to what is deemed acceptable in the society at the given time.

The chosen case companies, Stora Enso Oyj (hereinafter "Stora Enso") and Kesko Oyj (hereinafter "Kesko"), both have recently faced negative events concerning their social responsibility. Stora Enso faced controversies in Pakistan as it was revealed that Bulleh Shah Packaging Ltd, a joint venture in which Stora Enso had a 35 percent share, had used child labor in its operations. Kesko on the other hand had similar problems as it was revealed by Finnwatch, a Finnish non-governmental organization, that Kesko's supplier of pineapple juice concentrate had not complied with the Thai legislation and had violated human rights. By using critical discourse analysis I identify how the reporting of these companies changed due to a negative corporate social responsibility event.

As the trend in corporate social responsibility reporting in Europe is moving towards a more regulated, objective and mandatory nature, this study also sheds light on how companies do report on their practices and actions. In particularly, this study provides a view on how the case companies have reported about their negative events. In particular, I wish to raise the question whether the reporting practices utilized are sufficiently objective, i.e. presenting a true and fair view of the companies responsibility, in order to move towards the goal of objectivity in reporting.

My personal motivation for this Master's thesis and its research objectives rises from my prior Master's thesis to the University of Helsinki Faculty of Law concluded in 2014. The Master's thesis focused on how the growing pressure towards corporate social responsibility and responsible behavior of companies affect and conform the fiduciary duties of directors of a Finnish limited liability company, i.e. the Duty of Loyalty and the Duty of Care. I also addressed whether corporate directors could be held liable on the basis of breaches in what is considered acceptable in the society at the given time.

As one of my interpretations and findings in my prior Master's thesis I presented that it is probable that false reporting could cause breach of the Finnish Accounting Act (30.12.1997/1336) and the Finnish Limited Liability Companies Act

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(21.7.2006/624) (Lautjärvi 2014, 48-50). In line with this prior interpretation, my motivation for this study is whether reporting on negative events could cause a problem for the case companies with regard to the Directive on Non-Financial Reporting to be adopted and implemented in Finland and the requirement of "true and fair view" while considering the information disclosed by the company. Thus, this study strives to also open up broader discussion on whether corporate reporting practices could cause problems in the light of the duties of directors of a Finnish limited liability company.

1.2   Motivation for the Thesis and Research Gap

Research on corporate social responsibility tended to focus highly on the conceptualization of corporate social responsibility until the end of 1970's (Lee 2008). Mostly this research was conducted in order to define and achieve conceptual clarification on the abstract meaning of corporate social responsibility (Carroll 1999). However, entering the 21th century the focus of corporate social responsibility related research has become more concrete and rational (Lee 2008) emphasizing the influence of being socially responsible to the company's business and profitability. Eventually, this has lead to the dominance of literature attempting to identify a business case for corporate social responsibility, where being responsible would actually derive from the company's enlightened self-interest (Smith 2003).

Probably the most apparent embodiment of the pursuit to rationalize corporate social responsibility is the literature and studies conducted in multiple fields of research focusing on the impact of corporate social responsibility on the financial performance of the company (e.g. Graves and Waddock 2000; McWilliams and Siegel 2001; Orlitzky et. al. 2003; Margolis and Walsh 2003; Barnett and Salomon 2006; Barnett and Salomon 2012). However, notwithstanding the extensive nature of prior research it may still be stated that the relationship between corporate social responsibility and the financial performance of a company is unclear and inconsistent even though two meta-analyses on prior studies have provided some evidence of the existence of a positive correlation (Orlitzky et. al. 2003; Margolis and Walsh 2003).

As the relationship between corporate social responsibility and corporate financial performance has been inconsistent, a lot of studies have suggested that the manner in which corporate social responsibility is implemented in a company influences its outcomes. On the other hand, derived from the business case approach towards corporate social responsibility, there has also formed various conceptualizations, for instance the concepts of the Base of the Pyramid (Prahalad and Hart 2002; Prahalad and Hammond 2002) and Shared Value (Porter and Kramer 2006; Porter and Kramer 2011) describing how integrating corporate social responsibility responsibility into the core business of a company is a enormous opportunity for business. On the other hand, corporate social responsibility research has focused on different corporate social responsibility strategies or typologies, and it has been argued that different corporate social responsibility strategies might be more or less relevant to companies in order to achieve competitive advantages (e.g. Porter and Kramer 2002; Halme and Laurila 2009). To this type of research we may also include strategic research regarding communication practices on corporate social responsibility (Morsing and Schultz 2006).

Even though the field of study on corporate social responsibility and sustainability is extensive, there has been substantially less interest in the communicational aspects of corporate social responsibility (Ihlen et. al. 2011, 4), and on the effects negative performance in the field of corporate social responsibility. Also studies on the discursive relationship between business and society have been relatively scarce (Palazzo and Scherer 2006). From the research addressing communicating corporate social responsibility, studies have often focused on public relations and corporate reputations management (e.g. Clark 2000), marketing (e.g Klein and Dawar 2004; Du et. al. 2010), and stakeholder dialogue (e.g. Morsing and Schultz 2006). It is worth mentioning that negative incidents and their effect on corporate communication have raised interest in the field of crisis communication (e.g. Coombs 2012, 39).

One field of corporate social responsibility communication research consists of studies on corporate reporting on social, environmental and economic issues. The first corporate social responsibility reports date to the 1970's but it was not until 1990's when reporting started to gain more prominence (Livesey and Kearins 2002). However, recently corporate social responsibility reporting has raised more

and more interest, which is demonstrated in the growing amount of related literature (e.g. Deegan 2002; Golob and Bartlett 2007; Bebbington et. al. 2008; Aras and Crowther 2009; Kolk 2010).

Even though the main focus of studies on corporate communication and corporate reporting has not been on the discursive relationship between business and society, some studies have been conducted on the companies attempt to re-legitimize their existence when facing a crisis or pressure in the field of corporate social responsibility. Deegan, Rankin and Voght (2000) studied the reaction of companies to major social incidents in their annual reports. Subsequently, Deegan, Rankin and Tobin (2002) studied disclosures of BHP Ltd, a large Australian diversified public company, and its disclosure in reaction to social expectations. Hahn and Lülfs (2014) have conducted a more general study in this field studying the communicative legitimation strategies used in sustainability reports by companies when they had faced negative incidents. In addition, Cho (2009) has conducted a case study on the French company Total SA regarding the legitimation strategies in response to environmental disasters identifying three types of legitimation strategies used to defend its performance and activities.

The above studies have provided valuable insight on company practices in particular through content analysis. Yet, in order to understand the communicative practices utilized by companies we would benefit from a more in-depth analysis provided by discourse analysis (Vaara and Tienari 2004, 345). Discourse analysis has been used in corporate social responsibility related research and studies related to corporate legitimacy, however, only a few studies have focused on how companies actually try to re-establish their legitimacy when it has been questioned (Joutsenvirta and Vaara 2009). Livesey (2002) has studied the Shell's social reporting and rhetoric used after its conflicts with critical stakeholders in Brent Spar. Moreover, Livesey and Kearins (2002) have studied the discourse of The Body Shop's and Shell's reporting illustrating metaphors of transparency and care as a common denominator used in corporate social reporting. Joutsenvirta's (2006; 2011) research focused on the discursive battle between Stora Enso and Greenpeace regarding the environmental practices conducted by Stora Enso within the years 1985-2001. In addition, Joutsenvirta and Vaara (2009) have conducted a discursive analysis of Metsä-Botnia's discursive strategies used for making sense

of legitimacy in a sociopolitical conflict surrounding the company. However, not-withstanding the above-cited literature, research around legitimacy in the field of corporate social responsibility has rested somewhat marginal and prescriptive by nature (Joutsenvirta and Vaara 2009) and thus would profit of more descriptive studies regarding corporate practices in the field.

1.3   Research Objective and Questions

Even though recently there have been studies focusing more on the legitimating practices of companies while they face controversies, there remains gaps in prior research arising from the socio-political nature of corporate social responsibility. As described above, the literature on corporate social responsibility communica-tion has remained either mostly prescriptive or focused on the legitimacy strate-gies, without further focus on the change occurring in the company practices due to societal pressure and in order to respond to this pressure.

Hence, the focus of this study is particularly on the alteration of company commu-nication with regard to a sustainability issue in the sector where the company has faced a negative incident. Focusing on reporting both prior and later to a negative corporate social responsibility event also allows evaluating how corporate social responsibility is redefined by the company due to negative corporate social re-sponsibility events and thereto related stakeholder pressure.

Both of the case companies studied, i.e. Kesko and Stora Enso, have quite recent-ly faced a negative corporate social responsibility event. The emphasis is on how these companies strive to re-legitimize their existence, convince of their overall responsibility through their reporting and explain their non-compliance with what is considered socially acceptable. The overall objectives of the study is to seek un-derstanding on how a negative corporate social responsibility event modifies the company's perceptions of its legitimacy and how it strives to regain its moral legit-imacy when it has faced a negative event.

In accordance with the title of this Master's thesis, the underlining objective is in particular in finding out, whether company practices on reporting especially when facing negative events provides the "true and fair view" on corporate social re-

sponsibility of a company, as has been required of financial reporting for many years and will most probably be required of non-financial reporting in the future. Thus, with regard to above stated objectives, the research data is analyzed particularly in the light of the trustworthiness of the company practices in reporting.

Based on the abovementioned motivation, this study will thus focus on the following research questions:

1. How does a negative event in the field of corporate social responsibility affect a company's social responsibility reporting?

2. How does a company strive to legitimate its non-compliance with socially accepted norms and values in its corporate social responsibility reporting?

The reason for focusing solely on corporate social responsibility reporting is to provide insight on reporting practices of companies. As stated earlier, there is a growing pressure to develop corporate social responsibility reporting and making reporting more obliging and mandatory to companies. Thus, by focusing solely on reporting the prerogative is to identify how companies balance the increasing requirements leading towards a more regulated and mandatory reporting environment with the need to communicate with its stakeholders in order to re-legitimize their existence.

As prior research has either focused solely on reporting practices after the negative event using qualitative content analysis, or communicating through multiple communication methods available to the company as demonstrated in Chapter 1.2, there exists a need for an in-depth analysis on the change that occurs in corporate social responsibility reporting after a negative event and the modified approaches that the companies take after these events.

1.4 Structure of the Thesis

This Master's Thesis is divided into five main sections as follows: 1. Introduction; 2. Communicating on Corporate Social Responsibility and Negative Events (i.e. Literature Review and Theoretical Framing); 3. Methodology and Research Data;

4. Effects of Negative Events on Responsibility Reporting (i.e. Data Analysis and Findings; and 5. Conclusions and Discussion.

Following the introduction above I will review the literature on corporate communication on corporate social responsibility especially focusing on communicating on negative events faced by the companies. I will start by discussing the conceptualization of corporate social responsibility (Chapter 2.1) arguing that in today's context the moral legitimacy of a company has gained more and more importance. The theory of legitimacy and, in particular, the concept of moral legitimacy serves as the underlining theory in this thesis emphasizing the importance of corporate communication on its social responsibility. I focus especially on corporate communication through corporate social responsibility reporting and on negative events faced by the companies (Chapter 2.2). In line with the literature reviewed, I will conclude with the theoretical framing for the thesis (Chapter 2.3).

Following the review of relevant literature, I will discuss the research methodology and data of the thesis. I will briefly introduce the ontological and epistemological assumptions underlining the choices behind my approach (Chapter 3.1) and motivate the use of discourse analysis, in particular critical discourse analysis, in this Master's thesis (Chapter 3.2). I will also discuss the data used in this Master's thesis (Chapter 3.3) presenting how data was selected and analyzed. The Chapter is concluded with an introduction of the case companies and their respective negative corporate social responsibility events analyzed (Chapter 3.4).

Chapter 4 provides the data analysis and presenting the findings of this Master's thesis. The Chapter is systematized in line with the two research questions above. Thus, I firstly focus on answering to the first research question the emphasis thus being on the changes that occur in the case companies' overall reporting (Chapter 4.1). Consequently, I presents findings relevant in order to respond to the second research question, in other words, how do the case companies try to explain and address discursively the non-compliance with what is considered socially acceptable (Chapter 4.2).

In Chapter 5 I situate the findings from the data analysis in relation to prior research conducted (Chapter 5.1) and discuss the practical implications that these

finding have (Chapter 5.2). Consequently, I discuss the limitations of my study and the analysis conducted (Chapter 5.3). I conclude with presenting possibilities for future research and potential paths to be taken (Chapter 5.4).

2 Communicating on Corporate Social Responsibility and Negative Events

2.1 Corporate Social Responsibility of a Company

2.1.1 The Development of Corporate Social Responsibility

Corporate social responsibility has been a phenomenon in business and academic literature for many centuries. The initial discussions regarding corporate social responsibility evolved and developed in the 1920's and 1930's in the United States, the fundamental question then being whether a company existed solely for the purpose of maximizing shareholder preferences (Berle 1931) or whether the purpose of a company was also to advance societal interests (Dodd 1932). The growing industrialization of the world, in particular the Western society, occurring during that time increased interest towards corporate social responsibility (Carroll 2008, 24) and eventually led to the start of the period of the last 60 years cited as the modern era of corporate social responsibility (Carroll 1979; Carroll 2008, 19).

It is often stated that this conceptual development was initiated by Howard Bowen (1953, 6) who described corporate social responsibility as the "*obligations of businessmen 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*." Bowen's conceptualization represents the manager centric model, giving company managers a responsibility to address societal values in their decision-making, and has served as the basis for corporate social responsibility argumentation until the 1970's. The manager centric model at that time had broad support and it is noteworthy that in the United States it served as an inspiration for many legislative reforms (Hansmann and Kraakman 2001, 444). Hence, research at that time remained on a highly social and political level (Lee 2008) and therefore, the focus was still mainly on the fundamental question of the purpose of the company.

In the 1970's the interest towards corporate social responsibility rose drastically (Vogel 2005, 4). However, until the end of 1970's literature and discussion around

corporate social responsibility focused on the conceptualization of corporate social responsibility in order to define what it truly meant (Carroll 1999). The basis of corporate social responsibility relied still highly on corporate voluntarism. The definitions stressed that corporate social responsibility required actions beyond legislative requirements and companies' own economic benefit (Carroll 1999). Notwithstanding the focus on corporate voluntarism, economic viability was becoming more recognized as a factor of corporate social responsibility and profitability was understood as a necessity or a requirement for performance on any other field of responsibility of the company (Carroll 1979).

The approach on corporate social responsibility until the end of 1980's remained highly normative by nature deriving from companies' voluntary contributions towards ethical conduct, and even the desire to do good (Smith 2003; Lee 2008). Even though economic interests of a company and a company's responsibility to its shareholders were acknowledged, the basis of the definitions was still highly on establishing companies' responsibility towards also its other stakeholders than its shareholders (Carroll 2008, 33-34).

The voluntary nature was partly emphasized with such intensity due to the rise of neoclassical economics and modern capitalism which eventually led to the adoption of the shareholder centric model underlining the interest of the company shareholders (Stout 2012, 18). As a certain counter reaction to the adoption of the shareholder centric model, stakeholder theory gained some prominence in the 1980's. Stakeholder theory criticized shareholder theory drastically claiming that each group having a stake in a company should be taken into account in its management and decision-making (Freeman 2010, 24-27).

Even though shareholder and stakeholder perspectives remained highly contradictory, there existed a clear tendency to reduce the dichotomy between societal goals and the economic interests of the company. In the academic literature there was a growing interest to the relation between corporate social responsibility and corporate financial performance, and in explaining their relation. (Lee 2008.) This may be seen as a gradual movement towards understanding corporate social responsibility more as an organization level question focusing on the company itself

instead of understanding corporate social responsibility as a socio-political issue causing conflict between the shareholders and the society.

In conclusion, until the turn of the century conceptualizations of corporate social responsibility stressed the moral obligation of companies to address the broader needs of the society and the needs of also other stakeholders than shareholders. Even though the tendency was towards admitting profitability and, thus, economic viability of the company as a basis for its responsibility, the conceptualizations accentuated voluntarism and social obligations beyond legal obligations and corporate self-interest.

2.1.2   Corporate Social Responsibility in the 21th Century

Probably the most dramatic shift in corporate social responsibility related discussion happened in the turn of 21st century when corporate social responsibility was recognized as an integral part of companies business as criticism towards companies had increased significantly (Smith 2003; Margolis and Walsh 2003). Especially corporate scandals in the early 21st century, including the scandals of Enron and WorldCom, increased demands for the adoption of broader responsibility of companies towards society, and even gave rise to legislative pressure in the field of corporate social responsibility (Stout 2012, 18-21). As a consequence corporate social responsibility became generally promoted by nearly all stakeholder groups from shareholders and companies to non-governmental organizations (Lee 2008).

This tendency to require broader responsibility from companies that started in the beginning of the 21st century has remained strong. Moreover, nowadays there is a certain trend towards stakeholder empowerment making these requirements more intense than before. For instance non-governmental organizations (Doh 2003, 15; Spar and La Mure 2003) and consumers (Smith 2003; Kendall et. al. 2007, 248) have gained more effective ways to influence the companies. These stakeholders have also engaged in practices of informally sanctioning corporate social irresponsibility more dramatically than before. Examples of stakeholder influence, such as Greenpeace successfully influencing Stora Enso's developing of its environmental policies by open conflicts eventually triggering consumer boycotts (Joutsenvirta 2011), Shell's conflict with environmentalists in Brent Spar, and with activists and

non-governmental organizations in relation to Shell's Nigeria operations (Livesey 2001a; Livesey 2002) and Nike's problems with labor activists and consumer boycotts (Zadek 2004), demonstrate how stakeholder influence has successfully forced companies to amend their practices. Together with the increasing attention on the unsolved social and ecological problems in the society and the current economic situation, stakeholder empowerment has led to challenging the legitimacy of business (Porter and Kramer 2011).

This pressure has encouraged further development of the conception of corporate social responsibility towards a more business-oriented approach where corporate social responsibility is encouraged by motives related to company's self interest (Lee 2008), and nowadays most of corporate social responsibility related literature focuses on the influence of being socially responsible on the profitability of a company (Vogel 2005, 19). This is clearly demonstrated in the ever-growing interest on the relationship between being socially responsible and company's financial performance, and many studies today focus on providing empirical evidence on whether being socially responsible is economically profitable (see for example Orlizky et. al. 2003 meta-analysis and there referred studies; Margolis and Walsh 2003 meta-analysis and there referred studies).

In addition, there has been more literature on introducing ways or strategies of making profits responsibly or even profiting on being responsible. One of the initial theories representing such approaches was the theory of the Base of the Pyramid, which encouraged companies to conduct more business in developing countries due to the vast market potential of these markets that had, and still has, for long rested unsatisfied (Prahalad and Hart 2002; Prahalad and Hammond 2002). Moreover, Porter and Kramer introduced the concept of Shared Value proposing that companies can become more competitive and create economic value by addressing societal needs (Porter and Kramer 2006; Porter and Kramer 2011). Moreover, research has become to realize that some strategies and ways of practicing corporate social responsibility may be profitable while others are not (e.g. Barnett 2007; Halme and Laurila 2009).

In today's discourse corporate social responsibility is seen as an integral part of business and the basis of social responsibility, at least in practice, has diverged

from pure voluntarism (Smith 2003). As stated by Carroll (1979) already in the 1970's, the economic viability of a company forms the basis for further responsibility. However, as the stakeholders of the company gain more power to influence companies, the economic performance or even economic viability of a company may depend more increasingly than ever on how it handles it social responsibility. Hence, whether corporate social responsibility derives from a company's pure willingness to do good or enlightened self-interest, more aspects in today's pluralistic context need to be taken into consideration when companies are pursuing profits and economic viability.

2.1.3 Towards Pronounced Importance of Moral Legitimacy

The dynamic relationship between the company and its stakeholders has led to a situation where a purely conceptual approach to corporate social responsibility is not sufficient in itself. The chosen definition of corporate social responsibility is often a matter of the motives and interests of its user and, hence, guided by the goals and motives that the user of the particular concept has (e.g. van Marrewijk 2003; Malmelin and Vaarla 2005).

While each conceptualization of corporate social responsibility is at least partially influenced by these motives and interests, a more relational approach to corporate social responsibility is preferable. The constantly growing plurality of motives and interests of different stakeholders has led to a growing importance of moral legitimacy and discourse when defining the social responsibility of any organization. Consequently, moral legitimacy has become one of the most determining issues when considering global business. (Palazzo and Scherer 2006.)

Moral legitimacy derives from legitimacy theory, which claims that an organization is in a constant pursuit to ensure its legitimacy in society and in the eyes of the company stakeholders (Suchman 1995). Legitimacy may be described as the social acceptance of the actions of an organization in relation to the values and beliefs of a socially constructed system (Dowling and Pfeffer 1975; Ashforth and Gibbs 1990). The idea is based on a social contract between the society and the company (Deegan 2002). In order for a company to survive, it needs to comply with the boundaries and norms of the society (Hooghiemstra 2000). As the social

system may be seen to derive from socially constructed norms, values, beliefs, and definitions, the importance of particular cultural contexts surrounding the organization is also recognized (Suchman, 1995).

Legitimacy theory in itself is somewhat debated, as there exists two approaches of legitimacy: the institutional approach and the strategic approach to legitimacy. The debate regarding these two approaches is based on the possible role that the organization and its management may have in determining the legitimacy of the organization. The institutional tradition of legitimacy assumes that organizations exist and are constituted only through external institutions (Suchman 1995) as the strategic tradition to legitimacy argues that organizations and management influence the legitimacy of the organization through their actions and their direct attempts to influence the external institutions (e.g. Ashforth and Gibbs 1990).

For the purposes of this study and its theoretical framing, I follow Suchman's (1995) assumption that managerial actions may influence the legitimacy of the organization but the external institutions also influence managerial decisions. In other words, both the institutional approach and the managerial approach have their contributions to the theory on legitimacy. Therefore legitimation becomes a matter of bargaining to which the parties commit. Thus, both the internal and external parties of the organization utilize their bargaining power in order to influence the end result. (Habermas 1996, 166.) I revert to the motivation and argumentation on this chosen assumption more thoroughly later as I justify my choice of methods.

When considering the corporate social responsibility of a particular company in today's context, moral legitimacy of an organization has become significantly influential, if not determining, factor. (Palazzo and Scherer 2006) Moral legitimacy can be described as moral judgments on whether the actions of a company are deemed acceptable and justifiable in the relevant socially constructed value system (Suchman, 1995; Palazzo and Scherer 2006). The state of moral legitimacy is not to be considered as permanent. Instead, it is under constant legitimation and de-legitimation with regard to what is considered acceptable in the society generated through discursive struggles between the organization and the general public (Habermas 1996, 106-109; Hoffman 1999). The changes in moral and social values cause pressure for organizations to respond in order to maintain their legiti-

macy (O'Donovan 2002). Moral legitimacy is thus seen as the socially constructed moral judgments on the company and its performance (Palazzo and Scherer 2006).

The legitimacy of companies and the role of companies in benefiting the society have been partly questioned due to corporate crises in the field of sustainability. For instance financial scandals and human rights violations caused by companies or to which companies have contributed in have influenced the public perception (Margolis and Walsh, 2003; Palazzo and Scherer, 2006). When still in the 1990's the greatest driver for companies' responsibility was the legislation, in the 21th century stakeholders have directly targeted the companies themselves (Joutsenvirta 2006, 13), as previously discussed.

The aforementioned has also led to the rise stakeholder expectations and pressure with regard to corporate performance on societal issues and an overall debate regarding the legitimacy of companies in general (Margolis and Walsh 2003). This is demonstrated in the increasing amount of conflicts and incidents the companies are facing with its stakeholders (Palazzo and Scherer 2006). In this sense, corporate social responsibility can be stated to gain its meaning and definition more increasingly than ever through discursive legitimation struggles, where the company and its relevant stakeholders attempt to define and justify their moral legitimacy in the relevant and then current context (e.g. Joutsenvirta, 2011; Hahn and Lülfs, 2014). Moral legitimacy and its redefinition may be seen to become apparent in events and incidents that cause conflicting arguments on the morality of a company to rise.

The amount of pressure and, in particular, the expectations of the stakeholders and society are in constant flux leading to an emphasized importance of communication and mutual exchange between the company and its relevant stakeholders has increased its importance (Morsing and Schultz 2006; Palazzo and Scherer 2006; Joutsenvirta 2011). Discursive legitimation struggles eventually lead to bargaining and negotiating among the participants on the terms of the current issue at hand. In this bargaining and negotiating process the use of language to persuade is eminent. (Hoffman 1999; Suddaby and Greenwood 2005.) Thus, through discourses the company and its stakeholders constantly redefine legitimacy of the

company and give meaning to corporate social responsibility.

2.2 Corporate Social Responsibility Communication

2.2.1 Communicating on Corporate Social Responsibility

Corporate social responsibility communication can be defined as communication on how the company addresses the economic, social and environmental issues it faces in its business. Through corporate social responsibility communication the company negotiates with its stakeholders and the general public on how these matters should be addressed and handled. (Ihlen et. al. 2011, 8.)

In the light of legitimacy corporate communication is of substantial importance. The question on legitimacy of an organization and thus, its entire survival, is highly dependent on how society and the stakeholders of the organization perceive its actions (Deegan 2002). Corporate disclosure and communication may serve as a way to influence the perceived legitimacy of the company, and consequently, communication on corporate social responsibility issues is often conducted in order to maintain a responsible status by the company (Hooghiemstra 2000).

As discussed in the Chapter 2.1.3, pressure targeted towards companies for more socially responsible behavior has raised the importance of discourse and communication while addressing corporate social responsibility matters. To enforce the stakeholder pressure directed towards companies through, for instance, stakeholder activism, companies tend to be under stricter surveillance than ever before. Thus, one of the main trends in today's society is the ever-increasing transparency, where actions and decisions of a company come under public scrutiny more effectively than before. This radical transparency may be seen as a consequence of growing influence of the civil sector, developments in information technology allowing instant distribution of information, and media support for social and environmental issues. (Laszlo and Zhexembayeva 2011, 11-13.)

As transparency and stakeholder pressure have become substantially more significant than before, corporate social responsibility of a company in itself becomes defined more and more in the negotiations between the company and its stake-

holders (Ihlen et. al. 2011, 8). Growing transparency has increased the speed that information becomes available, and hence, it may be argued that the process of negotiating on corporate social responsibility through communication becomes more immediate. Even though corporate social responsibility cannot be seen as merely a matter of communication, the importance of communicating on corporate social responsibility issues becomes apparent, in particular as companies need to respond immediately to accusations presented and targeted towards them.

The aforementioned factors have also altered the requirements on communication on corporate social responsibility. Transparency and changing social perceptions have made corporate social responsibility "a moving target" (Morsing and Schultz 2006). As previously discussed while addressing the conceptual development of corporate social responsibility, it appears that the definition of corporate social responsibility will remain ambiguous or even become more versatile than before. It seems that the boundaries of corporate social responsibility are becoming broader causing companies problems on what factors should be addressed in order to remain legitimate in the eyes of the stakeholders (Morsing and Schultz 2006).

Meanwhile, communicating corporate social responsibility related information draws attention to the identity of a company making communication on corporate social responsibility performance a subtle and delicate issue (Du et. al. 2010; Waddock and Googins 2011, 27). In general, as there seems to be a growing overall distrust and skepticism concerning companies' intent to do good for the society (Waddock and Googins 2011, 26), it is not necessarily clear whether stakeholders prefer companies actively communicating on their corporate social responsibility or not (Morsing and Schultz 2006). This may be due to the fact that communicating more on corporate social responsibility may be seen as self-promotion and thus, contributes to the overall distrust as presented above (Ashforth and Gibbs 1990; Morsing and Schlultz 2006). Consequently, there is a dilemma between the company's need to respond to accusations and stakeholder doubts on truthfulness of corporate communication.

Moreover, companies communicating on their sustainability efforts are often more criticized than companies communicating less on these issues (Morsing et. al 2008). Corporate social responsibility communication is increasingly becoming a

matter of decreasing distrust on corporate activities and to demonstrate company actions through positive motives (Du et. al. 2010) and therefore, legitimacy theory serves of high importance when addressing corporate communication on these matters (Suchman 1995; Palazzo and Scherer 2006).

In line with what is stated above, greenwashing practices regarding corporate social responsibility has entered the field of corporate social responsibility communication related discussions in the 21th century (Laufer 2003). Greenwashing practices can be seen more as distributing false or misleading information in order to affect the public image of the company. As doubts upon truthfulness regarding corporate social responsibility communication expand in general through these suspicions, greenwashing is a problem also for companies not engaging in these practices (Solomon et. al. 2013, 222-223) and, as a consequence, makes corporate social responsibility communication an even more problematic of a matter.

In line with the above-presented problems, companies face a need to address societal issues through channels that do not in themselves harm the legitimacy of a company and raise suspicions. Corporate social responsibility reporting is often used in order to maintain legitimate in the eyes of the critical stakeholder groups of a company (Morsing and Schultz 2006) and thus, to serve the aforementioned purpose of not harming the message through an inappropriate communication channel. Stakeholders tend to be highly skeptical about discrepancies between companies' communication on their corporate social responsibility when they believe that the message is deceiving or manipulative (Forehand and Grier 2003; Du et. al. 2010). Corporate social responsibility reporting is often seen as a more subtle and legitimate way of communication social performance and hence, favored by the stakeholders (Morsing and Schultz 2006).

2.2.2 Corporate Social Responsibility Report as a Communication Tool

Corporate social responsibility and sustainability reporting may be considered as one of the communication channels or tools available for a company when considering its corporate social responsibility communication (Du et. al. 2010). The primary goal of sustainability reporting is to obtain social legitimacy for the company's

actions with regard to its economic, social and environmental issues and thereto related performance (Hooghiemstra 2000; Morsing and Schultz 2006).

Corporate social responsibility reporting is not a particularly new phenomenon. However, its extent has developed and grown greatly during the last centuries. The emergence of social and environmental reporting dates back to the 1970s but corporate social responsibility reporting commenced to truly develop in the end of 1980's as reporting on non-financial information started to become more institutionalized (Livesey and Kearins 2002; Kolk 2010).

The environment for corporate social responsibility reporting has changed dramatically. As still in the late 20th century, corporate reporting was mainly targeted towards company's internal interest groups, meaning in this context mostly management, lenders and shareholders, in the 21st century focus of reporting has been more towards the external environment and a broader range of stakeholders. Consequently, corporate social responsibility reporting gained more prominence and became more common in the 21st century. (Kuisma and Temmes 2011, 267-270.)

In the 21st century the ever growing demand for transparency on companies' activities and sustainability has brought out the need for companies to communicate about their achievements and processes more effectively. Corporate social responsibility and sustainability reporting has developed partially in order to respond to the aforementioned demand (Livesey 2002), and it is often considered as the most valid and effective disclosure channel in terms of legitimating social and environmental practices of a company (Deegan 2002; Morsing and Schultz 2006). It also appears that stakeholders are favoring releases such as reports and websites in corporate social responsibility communication in comparison to other communication methods (Morsing and Schultz 2006).

More often than before stakeholders are looking for hard evidence on corporate social responsibility, which has raised the importance of corporate social reporting. This has also led to a growing influence of the leading reporting standards, such as Global Reporting Initiative, in order to increase the legitimacy of company reporting. (Du et. al. 2010; Perego and Kolk 2012.) The problem, however, with also

the leading reporting standards has been the lack of concrete and consistent obligations and requirements to the companies with regard to their reporting maintaining still a highly voluntary approach (Sullivan 2011, 3).

There has been certain attempts to regulate corporate disclosure and reporting on social responsibility and sustainability. In Europe, the directive on disclosure of non-financial and diversity information by certain large undertakings and groups (2014/95/EU) amending the Accounting Directive 2013/34/EU obliges large companies to report on their sustainability as a part of their annual report. This reporting requirement will commence in year 2017. The directive will tighten the requirements on reporting on non-financial information and move reporting on corporate social responsibility in the European Union towards a more legally binding practice (Lautjärvi 2014, 48-50). Also in the United States, some regulatory requirements have been put in place with regard to reporting on non-financial information (Crawford and Clark Williams 2011, 340). Thus, there seems to be a clear tendency towards a more stringent and mandatory disclosure of non-financial information.

Notwithstanding the aforementioned attempts to make corporate social reporting and thereto-related aspects more regulated and mandatory by nature, reporting on social and environmental matters yet remains highly voluntary and vastly unregulated. In addition, the lack of formal auditing on non-financial reporting sets major problems for true transparency and trustworthiness (Laufer 2003). Therefore, the transparency of the reporting on social responsibility and sustainability issues is still dependent on the integrity of the reporting companies themselves, as reporting often lacks formal authentication (Nadesan 2011, 271). Thus, even though stakeholders see corporate social responsibility reporting as a more legitimate form for communicating on the social performance of the company, reporting remains voluntary and uninsitutionalized by nature.

It has been argued that the certain vagueness and inconsistency in the understanding of sustainability and sustainable development also allows companies' to make false representations (Aras and Crowther 2009). In general, the overall tone of sustainability reporting appears highly positive, and often companies overemphasize the positive aspects in the company's social and environmental responsi-

bility (O'Donovan 2002; Holder-Webb et. al. 2009; Cho 2009). Later research has even suggested that companies performing worse in certain aspects of corporate social responsibility tend to highlight the good news and aspects in which their performance is better (Cho et. al. 2010).

It has been extensively suggested that voluntary disclosure through reporting is used by poorly performing companies in order to mitigate social and environmental risk (Patten 2002; Cho et. al. 2006; Cho and Patten 2007). The aforementioned studies and tendencies of poor performers presented in them are in line with findings that unsystematic risk related to environmental performance may be mitigated through environmental commitments presented in case a company enjoys low environmental legitimacy (Bansal and Clelland 2004). Consequently, some have even questioned whether corporate social and environmental reporting is used for the purposes of reputation risk management (e.g. Bebbington et. al. 2008), managing public impressions (Neu et. al 1998) or even further, as a public relations tool instead of purely reporting on its sustainability (O'Donovan 2002).

Thus, corporate social responsibility reporting still tends to remain highly inconsistent and unsatisfactory allowing companies to chose upon the factors they are willing to report on and that they are not (Sullivan 2011, 3). In this sense and corporate social responsibility reporting still tends to be at least partially used in order to secure company's reputation (Hooghiemstra 2000) and to manage external impressions (Neu et. al. 1998) instead of validating and giving legitimacy to company's prior performance regarding corporate social responsibility.

2.2.3 Communicating Negative Corporate Social Responsibility Events

Negative events or corporate crises cause a threat on the company's legitimacy leading to an immediate need for an organization to react. A negative event usually requires the company to engage in practices to reestablish its legitimacy. (Suchman 1995.) These efforts to reestablish legitimacy include also communicational practices (Dowling and Pfeffer 1975). According to legitimacy theory, as negative events are often unforeseen by companies the responses tend to be reactive by nature leading to impression management instead of responding in a substantial manner to the negative event faced (Ashforth and Gibbs 1990; Such-

man 1995). This might lead to response through denial, counterclaims or other defensive measures instead of engaging in concrete corrective measures (Ashforth and Gibbs 1990).

Negative corporate social responsibility events have proven to be particularly difficult issues for companies. During a corporate social responsibility crisis the moral obligations and expectations set out by external institutions and the company's stakeholders are not met, which threatens the perceived legitimacy of the company in question (Hahn and Lülfs 2014). When considering the company's reputation and image in face of the general public and corporate stakeholders, the problem commonly seems to be that stakeholders are not willing to reward for responsibility but still punish for irresponsibility. This is particularly the case with regard to consumers (Sen and Bhattacharya 2001; Klein and Dawar 2004). In order to gain a positive reputation the company needs to show consistency with regard to the values of its stakeholders and therefore, many marketing efforts resting on corporate social responsibility may be ineffective or even counterproductive (Smith et. al. 2010).

Organizations may try to protect themselves in advance by forming a firm common understanding of its legitimacy and engaging in protecting its image before any occurrence of possible negative events (Dowling and Pfeffer 1975). Negative corporate social responsibility events appear to be more influential to the company's brand and reputation when the company has been conceived irresponsible already prior to the negative event. However, positive image in itself may not necessarily provide protection towards negative events (Klein and Dawar 2004.), which demonstrates that reputation of being responsible is more easily lost than gained. In addition, as previously described, building a positive image in the first place is not an easy task for any company.

When the company has faced a negative corporate social responsibility event, the question on communication and communicating is often two-fold by nature. Firstly, the company needs to decide whether it discloses the negative event through its own communication measures or not. Secondly, in case the company decides to disclose or in the event that the negative event is disclosed by a third party the

question is then how the company should address and communicate on the negative event at hand.

Addressing the negative event through direct disclosure by the company might expose the company's legitimacy and reputation at considerable risk when the company's activities are not in line with society's expectations (Hahn and Lülfs 2014). It is also possible that communicating on corporate social responsibility while facing a negative event may appear counterproductive causing more damage to the company's legitimacy by raising even more suspicions in the stakeholders regarding the message the company is sending (Morsing and Schultz 2006). The aforementioned is a natural consequence as distrust and skepticism around companies' genuine intent to be responsible members of the society is highlighted when a company faces a negative event in the field of corporate social responsibility.

On the other hand, non-disclosure of negative events could appear even more damaging as transparency with regard to corporate social responsibility is constantly increasing. Also as another result of this growing transparency, negative events are more rarely left undisclosed leading to a greater risk of exposure when the company decides not to disclose itself. Third-party disclosure may be especially damaging to the company as non-disclosure on itself may be seen as irresponsible and even dishonest (Hahn and Lülfs 2014). Non-disclosure by a company of negative corporate social responsibility events may lead to public investigations in the media (Våland and Heide 2005), while voluntary disclosure of even negative events may be regarded as positive signaling a company's proactive approach taken in its responsibility issues (Hahn and Lülfs 2014). The effects of third party disclosure on negative events is usually dramatic for the company, as unexpected disclosure often requires an immediate response leaving limited time for deliberation (Ashforth and Gibbs 1990).

When disclosed a controversial or negative event requires the company to act in order to re-legitimize its existence. Often companies strive to manage the situation when facing a negative event (Våland and Heide 2005). Studies focusing on discursive struggles between companies and their stakeholders in relation to environmental performance and social responsibility have demonstrated that compa-

nies use legitimation strategies while facing negative events in order to regain their legitimacy (Livesey 2001b; Joutsenvirta 2006; Joutsenvirta and Vaara 2009; Joutsenvirta 2011). While facing controversial issues, companies may tend to frame corporate actions in legalistic terms, stating that their actions are in accordance with the law, distancing themselves from the political terms of the struggles (Joutsenvirta and Vaara 2009). Most strategies also tend to utilize economic rationality as a source of regaining legitimacy (Livesey 2002; Joutsenvirta 2011), although it may be necessary for the company to regard environmental and social concerns in order to regain and achieve legitimacy effectively (Joutsenvirta 2011).

2.2.4 Communicating Negative Events Through Sustainability Reports

Corporate social responsibility reports are complementary communication channels by their nature with regard to negative events or crises as they are published regularly and thus, do not enable *ad hoc* and immediate reactions to the negative events faced by the company. Therefore, often the primary response to addressing the negative event will be made through press releases and other direct communicational means available to the company, as especially press releases may be considered more flexible and instant. (Aerts and Cormier 2009.) Social reporting, on the other hand, appears to be more general by nature and used in order to build an overall positive picture of the company's performance (O'Donovan 2002).

However, even though press releases and other more direct methods of communication may be considered as more direct ways to react to negative information published about a company, also annual reporting disclosures might be made in response to negative media coverage and public pressure (O'Donovan 2002). According to empirical testing by Deegan et. al. (2002) the company management may release positive information in relation to its corporate social responsibility in their annual reports as a response to negative media coverage. The volume of media coverage correlated positively also with the level of disclosure in annual reporting of the case company, i.e. the more the negative event had news coverage the more it was handled in the company's reporting.

Moreover, poor performance in social and environmental aspects may lead to accentuated reporting on the positive events and aspects of the company's activities.

Companies facing negative events or incidents especially in the field of environmental responsibility seem to have a tendency to over-emphasize positive outcomes and aspects of their performance (Brown and Deegan 1998; Deegan et. al. 2002; Cho and Patten 2007).

While facing a negative corporate social responsibility event companies have been noted to utilize certain strategies in order to regain their legitimacy. Neu et. al. (1998) argue that due to textual-orientation of reporting on environmental issues companies utilize acquiescence, compromise and defiance as strategies to respond to public concerns on their environmental performance. They concluded that disclosures tend to emphasize the success related to its environmental performance. On the other hand, with regard to environmental challenges companies either re-framed or ignored the challenges raised by the public depending on the power of the stakeholders raising the issue.

Hahn and Lülfs (2014) identified six legitimation strategies with regard to sustainability disclosure by companies facing negative incidents. Basically, the aim of each strategy is to reduce the potential public backlash of the negative incidents. The study suggests that it is possible to mitigate risk in advance regarding the negative incident by using certain legitimation strategies proactively. However, some strategies tend to be purely symbolic, obscuring transparency of the reporting.

In a single case study examining the disclosure of a French company Total SA while facing two environmental incidents, Cho (2009) identified three strategies used by Total SA. The company may engage in an attempt to disclose positive information of its accomplishments (*Image Enhancement*), redirect or deflect attention away from the incident (*Avoidance/Deflection*) or deny responsibility concerning the incident (*Denial*). Cho also found that subsequently occurring incidents increased significantly the amount of environmental information disclosed by the company.

All in all, reporting tends to be used by companies when the company is lacking legitimacy or has altogether performed poorly in some fields of corporate social responsibility. O'Dwyer (2002) concluded in his research regarding corporate social disclosure that companies and their managers tended to disclose through an-

nual reports when they perceived legitimacy gaps in their activities. Disclosure in annual reports appears to be reactive by its nature and the objective was to regain or repair lost legitimacy. Even further, corporate reporting may be utilized also in order to gain control over the redefining of and the overall debate around social and environmental issues (Livesey 2002). However, there exist mixed conceptions whether such disclosure in order to regain lost legitimacy works for the company's advantage or disadvantage (O'Dwyer 2002).

As sustainability reporting still tends to be mostly based on voluntary disclosure without obligations as strict with regard to "true and fair view" imposed by legislation in most Western countries for financial reporting in particular, companies have a lot of leeway in their reporting. On the other hand, a negative corporate social responsibility event, while constituting breach of moral expectations set in the society, requires justifications from the company. This leads to engaging in communication or legitimation strategies with at least partly an aim to restore social acceptance for company's performance instead of solely addressing objectively the negative event itself (Cho 2009; Hahn and Lülfs 2014).

2.3 Theoretical Frame of Reference

In this chapter I conclude the theoretical framing of this study in line and in the light of the above-cited literature. The development of conceptualization of corporate social responsibility has longstanding roots as the modern era of corporate social responsibility has lasted for over 60 years. As argued in this Master's thesis, the conceptualizations are representations of corporate social responsibility in the then current cultural and social context, which has caused conceptual shifts throughout its history (Lee 2008).

However, nowadays as criticism towards companies has increased, the importance of moral legitimacy of a company has become an influential aspect when evaluating the social responsibility of a company. Thus, corporate social responsibility of a company is increasingly determined in discursive legitimation struggles between a company and its stakeholders (Palazzo and Scherer 2006). Together with increased transparency (Laszlo and Zhexembayeva 2011, 11-13), and growing distrust and criticism towards companies (e.g. Margolis and Walsh 2003), this

has led to a pronounced importance of corporate social responsibility communication through which the company negotiates and bargains on its legitimacy with its relevant stakeholders.

The importance of legitimacy is highlighted especially when companies face negative events in the field of corporate social responsibility. These events may be seen as breaches of social contracts between the company and society causing a risk for the company's social license to operate (Deegan et. al. 2002; Cho 2009). In these situations companies appear to engage in different discursive strategies in order to regain the lost or at least damaged legitimacy, and these strategies are utilized and represented in the communication of a company (e.g. Joutsenvirta 2011), including corporate social responsibility reporting (e.g. Cho 2009; Hahn and Lülfs 2014).

Corporate social reporting is gaining more and more importance in company's communication to its stakeholders regarding the company's social, environmental and economic performance as it is often considered the most effective and valid form of corporate social responsibility disclosure (Deegan 2002; Morsing and Schultz 2006). Yet, the voluntary nature of corporate social responsibility reporting leaves a lot of room for the companies to choose what to report on and to what extent. This further enables the utilization of corporate social responsibility reporting for engaging in different discursive strategies in order to achieve legitimacy or regain its lost legitimacy.

Even though studies on reporting practices while a company faces a negative event have identified certain generalizations regarding strategies used by companies, it is yet to be identified how corporate reporting alters due to the negative event faced. Based on the aforementioned literature on effects of negative events on corporate social responsibility reporting it is probable that the company reporting tends to emphasize the positive outcomes achieved (e.g. Deegan et. al. 2002; Cho and Patten 2007). In addition to highlighting positive actions it is probable that companies will engage in some sort of strategies in order to regain legitimacy and mitigate the effects of the negative incident (e.g. Neu et. al. 1998; Cho 2009; Hahn and Lülfs 2014).

Thus, this study builds up from the above-cited literature focusing on corporate social responsibility reporting while a company faces a negative event. The focus of this Master's thesis is in particular in the shift caused by the negative incident, where company communication on its legitimacy and the strategies used are altered due to a negative corporate social responsibility event. By conducting a study focusing on the effects of a negative event it is possible to gain more in-depth understanding on the socio-political aspects and the interactive nature of corporate social responsibility. Building up from the change occurring in corporate social responsibility reporting, it is possible also to identify how a company's understanding of its own responsibility is affected due to negative events, i.e. how it attempts to reason its failure in being responsible to itself and its stakeholders.

3 Methodology and Research Data

3.1 Ontological and Epistemological Foundations of the Thesis

The underlining assumption of this study is that the understanding of corporate social responsibility in the current social context is moving towards the highlighted emphasis of moral legitimacy. This pronounced importance of moral legitimacy is demonstrated in the conflicts between companies and their shareholders leading to corporate social responsibility of a particular company being constantly renegotiated and bargained upon (e.g. Palazzo and Scherer 2006; Joutsenvirta 2011). Thus, corporate social responsibility is seen as socially constructed phenomenon building through the interactive relationship between the company and all corporate stakeholders making it distinctively subjective by nature.

Ontology demonstrates the philosophical assumptions concerning how one understands the nature of reality and overall existence (Easterby-Smith 2012, 17). The aforementioned illustration of socially constructed view on corporate social responsibility stressing the importance of moral legitimacy demonstrates a relativist ontological approach adopted in this Master's thesis, where social actors see reality subjectively from their own perspectives. Thus, reality is perceived as dependent of the context and created through negotiations between social actors. (Easterby-Smith 2012, 19-20.)

This view is supported by the conceptual development of corporate social responsibility during its long history and the constant redefining of the concept that has occurred since the 1950's. This process of redefining corporate social responsibility is still an ongoing process as the concept is under constant debate. In the current context the growing criticism towards corporate practices may be seen as stakeholders engaging in negotiations through concrete activism and discourses, and thus, companies and stakeholders can be seen as the actors bargaining on the reality concerning corporate social responsibility.

The aforementioned ontological background of this study is revealed already in the research questions and the research objective, as the focus of this Master's thesis

is on modifications and alterations on the company's understanding of its corporate social responsibility after negative corporate social responsibility events. Thus, this Master's thesis builds up on the ongoing re-negotiations regarding company's legitimacy and corporate social responsibility, and the modified understanding occurring due to the changed context the company is facing. These modifications are demonstrated in the altered corporate social responsibility reporting of the company caused by the negative corporate social responsibility event.

Epistemology implies to the assumptions of the most appropriate ways to observe and study reality and the nature of the world (Easterby-Smith 2012, 17). The epistemological background of this study is building on social constructionism. In the social constructionist perspective reality is seen to form through relations and communicative practices and knowledge is constructed in and through social situations (Berger and Luckmann 1966, 3). The focus of this study is especially in the communicative practices through which companies try to re-legitimize their existence by giving meaning to their corporate social responsibility in the altered context.

However, building on legitimacy theory and the views of Suchman (1995) as previously discussed in Chapter 2.1.3, I acknowledge that when aspiring for legitimacy the actions of individual decisions have an influence on how institutions are perceived, but on the other hand external institutions influence the decisions and actions made by individuals. Therefore, legitimation of actions is always at least partly a result of a bargaining process, where social power relations cannot be totally neutralized. Parties of this bargaining process resort to means available to them, hence using the bargaining power they are vested with in order to advance their aims. (Habermas 1996, 166.) Thus, the epistemological position of this thesis does not represent social constructionist approach in its purest form (Eriksson and Kovalainen 2008, 263), but instead a critical approach is taken.

3.2 Qualitative Research

During the latest years the main focus in corporate social responsibility related research has been on the relation between corporate social responsibility and corporate financial performance and their possible correlation. Empirically, this has

meant focusing on establishing a business case for corporate social responsibility, and focusing less on corporate social responsibility as something that evolves through interactions between companies and the society, i.e. as a phenomenon itself. (Lee 2008.)

These studies on the possible relation between financial performance and corporate social responsibility have been mainly quantitative focusing on the measurable aspects of corporate social responsibility. Studies on the relation of corporate social responsibility and corporate financial performance consist of also narrative reviews where the prerogative is to make sense of and combine the empirical findings (Orlitzky et. al. 2003). However, the above-discussed studies have not been consistent and have not managed to explain the relation of corporate social responsibility and the financial performance of a company. As the conceptualization of corporate social responsibility still remains a debated issue, measuring performance related to corporate social responsibility remains difficult and inconclusive.

Meanwhile, the research on companies' attempts to regain legitimacy when have facing contested events has remained limited and therefore, understanding on the socio-political processes related to corporate social responsibility has remained unclear (Joutsenvirta and Vaara 2009). Thus, in line with what is presented above, I argue that there is a need for more in-depth analysis on conceptions and the socio-political nature of corporate social responsibility not only for the purposes of generating broader understanding on the phenomenon itself but also in order to gain more understanding on its influence to the financial performance of a company.

Consequently, following the philosophical standpoint presented above, the research questions and objective set out for this study and the aforementioned motivation for gain more understanding on the role of corporate social responsibility in the society, the choice of methodology for this study was to conduct a qualitative research. Qualitative research is particularly suiting when the prerogative of the research is in explaining the social processes and social construction behind certain phenomenon or phenomena (Silverman 2006, 43-44; Barbour 2008, 11; Eriksson and Kovalainen 2008, 5). In this Master's thesis the social process under evaluation is the alteration in corporate social responsibility reporting caused by a

negative event and thereto related stakeholder pressure. Moreover, the general phenomenon under evaluation is the socio-political nature of corporate social responsibility.

3.3 Discourse Analysis

In accordance with the social constructionist foundations adopted, discourse analysis is used as the method in this study. Discourse analysis may be defined as a detailed analysis of discourse on how social reality is produced through different social practices. In this social constructionist approach, discourse itself is seen as part the construction of reality (Jokinen et. al. 2004, 9-10) and representations of social practices as such (Joutsenvirta 2011). Discourse may be defined as language used as an element of social life or a setting that is in close coexistence with other elements (Fairclough 2003, 3).

Discourse analysis focuses on the socially constructed nature of language, where the meaning of text, representing the social action that is conveyed in language, is the focus of the analysis (Eriksson and Kovalainen 2008, 227). As corporate social responsibility as a phenomenon has proven to be influenced by the then current social and cultural norms and values, a discursive approach is more suitable for taking these considerations into account and for their evaluation (Joutsenvirta and Vaara 2009).

Generally, considering discourse analysis there exist two key dimensions from which discourses may be analyzed. The micro-level approach is a more detailed study of language in a specific and situational context. Macro-level approach emphasizes the universal nature of discourse addressing the standardized or even institutionalized nature of discursive practices. (Alvesson and Karreman 2000.) A researcher does not necessarily have to choose between the approaches, as both dimensions are necessary for thorough social constructivist understanding (Fairclough 2003, 2-3).

In this study the focus is more on the micro-level, building understanding on how companies legitimize their existence in a particular situation, i.e. while facing a negative corporate social responsibility event. However, in the essence of critical

theory the influence of external institutions to the micro-level features is acknowledged. This approach is motivated also as a company's legitimacy is effected by its actions own actions and decisions of its management, buset the actions and decisions taken are affected by external institutions (Suchman 1995). Hence, the relation between external institutions and internal decision-making is seen interrelated.

Most studies regarding corporate social responsibility reporting and the influence of negative corporate social responsibility events have utilized content analysis as the underlining methodology of research (e.g. Deegan et. al 2000; Deegan et. al. 2002; Cho 2009; Hahn and Lülfs 2014). However, content analysis tends to be narrower and more restricted in textual analysis than critical discourse analysis that provides a possibility to a more in-depth analysis (Vaara and Tienari 2004, 345). Therefore, in accordance with prior Finnish studies focusing on attempts to re-legitimize or de-legitimize in situations where the company's practices have been contested (Vaara et. al. 2006; Joutsenvirta 2006; Vaara and Tienari 2008; Joutsenvirta and Vaara 2009; Joutsenvirta 2011), this study basis its analysis on critical discourse analysis.

In critical discourse analysis, discourse is seen as a part of social processes and social events, and organizational texts are considered as representations of these social events (Fairclough 2005). Critical discourse analysis is not a distinct academic discipline but instead uses variety of research approaches and methods (Wodak 2004, 186; Fairclough et. al. 2011, 357). Critical discourse analysis is distinctive as it emphasizes the relationship of language and social context and thus, is used to analyze text in a particular context (Fairclough et. al. 2011, 357; Leitch and Palmer 2010).

Critical discourse analysis as a method is particularly appropriate when the focus of the study is on the expectations of the environment and the power relations in social practices (Eriksson and Kovalainen 2008, 235). The underlining factor is that there is always some degree of power struggle involved in discourses and, therefore, social reality may never be conclusively described (Phillips et. al. 2004). Thus, legitimacy in the light of critical discourse analysis is considered as discur-

sively constructed understanding of what is acceptable in the society in the particular moment in time (Vaara et. al. 2006).

As the critical discursive approach places particular emphasis on the power relations in society, the critical approach is linked to the legitimacy problems faced by an organization. Critical discourse analysis is often used in order to study social controversies and thereto-related issues. (Vaara and Tienari 2008.) Therefore, the use of critical discourse analysis for studying the influence of a negative incident faced by a company is particularly suitable. A negative corporate social responsibility event raises attention to the company's performance and, consequently, makes a power struggle more visible.

By applying critical discourse analysis as the method for data analysis it is possible to achieve more in-depth interpretations of a particular phenomenon under observation than for instance by using qualitative content analysis, which has been utilized in many studies on corporate social responsibility reporting. Language perspective is fitting especially for understanding how companies strive to maintain legitimacy and their credibility while facing challenges in the field of corporate social responsibility (Joutsenvirta 2009).

3.4 Data

3.4.1 Data Selection and Collection

This study is a longitudinal analysis of corporate social responsibility reports of Kesko during the years 2011-2013 and Stora Enso during the years 2012-2014. During these years both of the case companies faced a negative corporate social responsibility event that was revealed in its totality by a third party. These negative events attracted media attention on both of the case companies and their respective negative events, and awoke the case companies to react to these negative events also in their corporate social responsibility reporting.

The original motivation to focus purely on corporate social responsibility reports is based on the Directive on Non-Financial Reporting that will modify reporting obligations for large companies and groups. As reporting on non-financial information

will become more mandatory and legally binding by nature, the directive is likely to have an effect of future legitimation practices available for companies. The aforementioned gives rise to interest on what kind of practices companies are currently using to reporting negative non-financial information.

The case companies were chosen based on two pre-requirements that were necessary in order to ensure appropriateness of the data for the purposes of this Master's thesis. Firstly, the case companies needed to be chosen from publicly listed companies that were currently reporting on their corporate social responsibility and thereto-related performance. Secondly, the case companies needed to have faced a negative corporate social responsibility event during the years they had reported on their social responsibility, and more preferably, faced such an event quite recently.

Based on the two aforementioned pre-requirements, the case companies Kesko and Stora Enso, described more in detail below, were chosen and accordingly, the data for this study consisted of corporate social responsibility reports of the case companies. I decided to utilize two case companies as both companies tended to have faced similar problems in their supply chain and social responsibility at nearly the same time. Two case companies were used in order to gain more thorough insights and enable also identifying possibly differentiating strategies in regaining legitimacy.

In order to study the alterations in reporting caused by the negative corporate social responsibility event both, reports prior to the negative event and following the negative event, were chosen. The data in question consists of Kesko's Corporate Responsibility reports from the years 2011-2013, and Stora Enso's Global Responsibility Reports from years 2012-2013 and its integrated report Global Responsibility Performance from year 2014. Thus, all in all six corporate social responsibility reports were analyzed.

The prerogative regarding the choice of methods and the data for this study was to reveal how the case companies confronted the negative corporate social responsibility events and tried to adapt to the new situation. The longitudinal approach allowed me to address the change that occurred in the case companies' reporting,

and focusing on the discourses utilized by the companies allowed a more in depth analysis of the strategies used by the case companies. Corporate social responsibility reports on the other hand served well for the purpose of having comparable date and thus, allowing longitudinal analysis for studying the changes in strategies and discourse.

3.4.2 Data Analysis

Data analysis was conducted through a re-iterative review process where the data was read and re-read multiple times. With critical discourse analysis the data analysis often consists of multiple reading and rereading phases and reiteration between theories and analysis (Wodak 2004, 198), and thus, it is notably difficult to report on each phase (Vaara et. al. 2006). However, there are certain general reading phases that could be identified from the data analysis process.

The overall data consisted of six corporate social responsibility reports adding up to a total of 637 pages. Initial reading examined the overall alterations in emphasis of the reporting. During first readings, my main prerogative was to identify and delve into processes, patterns and overall usage of text. I also focused on what was being said and what was not, in other words, how much each matter and element was discussed.

Eventually, I started to look at the changes in these patterns occurring after the negative corporate social responsibility event. This was conducted in order to identify whether company reporting over-emphasized the positive aspects of its reporting, as was suggested by prior research (e.g. Brown and Deegan 1998; Deegan et. al. 2002; Cho and Patten 2007), and tended to avoid addressing the negative aspects. The initial reading was necessary also in order to get acquainted with and gain an overall understanding of the data at hand before focusing on the text in further detail. The initial reading process was conducted in order to answer to the first research question, i.e. how does a negative event in the field of corporate social responsibility affect a company's social responsibility reporting.

Subsequently, I focused more on the negative corporate social responsibility events, as described more in detail below, and narrowed down the text under

analysis. Thus, I limited the scope of analysis to how the case companies reported on their social matters, as both case companies were facing problems with social issues, and focused in particular to the parts of the reports where the negative corporate social responsibility events under interpretation were discussed. Again, the primary focus was on the processes, patterns and usage of text, however, focusing solely only on the sector of corporate social responsibility that was affected by the negative corporate social responsibility event or thereto-related aspects.

Finally, I focused solely on how the case companies tried to re-legitimize their existence while facing social controversies. At this point, the focus was purely on how the case company explained its non-compliance with what was regarded as socially responsible behavior at that time, in other words, how the company attempted to regain its legitimacy that had been affected and damaged. In the reading phases or phases of analysis focusing purely on social matters and thereto related negative events of the case companies, my focus was especially in gaining insight and knowledge in order to answer my second research question, i.e. how does a company strive to legitimate its non-compliance with socially accepted norms and values in its corporate social reporting.

After conducting the more micro-level analysis, I reflected on how the findings connected with the prior research conducted which is demonstrated in the conclusions and discussions part of this Master's thesis. I also reflected on how the occurred alterations in the case companies' social responsibility reporting were influenced by the macro-level socio-political situation, and pressure caused by the company stakeholders and the society as a whole.

3.5 Case Companies and Negative Events

3.5.1 Kesko and Problems in the Supply Chain

Kesko is a public company registered in Finland and listed in the Nasdaq OMX Helsinki stock exchange providing trading sector services (Kesko Oyj 2013a, 65). Kesko was founded in 1940 as a consequence of a merger of four regional wholesaling companies (Kesko Oyj n.d.). Today, it runs operations in sectors from grocery trade to trading of cars and machinery having operations in eight countries

and employing around 45,000 employees. Kesko and K-retailers together form K-Group that has approximately 2,000 stores. Around half of these stores are run by K-retailers, them being local entrepreneurs. Kesko runs services such as purchasing, logistics and network development for the retail store chains. In 2013, Kesko's revenue was 9,3 billion euros and the K-Group ended up with their sales reaching 11,6 billion euros (Kesko Oyj 2013a, 1-2.)

Kesko has been praised for its corporate social responsibility efforts, and especially it's quality of reporting has received high notes. In 2014, Kesko's 2013 Corporate Responsibility report was awarded by Finnish Business & Society ry (FIBS) as the best report published (Finnish Business & Society ry n.d.). Kesko has also been included in sustainability indexes and is listed as one of the 100-most responsible companies. (Kesko Oyj 2013a, 3.)

In the beginning of year 2013, Finnwatch, a Finnish non-governmental organization, published a report on the social responsibility of the private labels of biggest Finnish retail chains targeting on the production of tuna and pineapple juice concentrate. Altogether Kesko has over 2000 private label products (Vartiala et. al. 2013 and thus, making it one of the companies discussed thoroughly in the report. The findings of Finnwatch's report showed that Natural Fruit, a factory in Thailand producing pineapple juice concentrate for Kesko and other Finnish retail chains, did not comply with Thai legislation and was in breach of human rights. According to the report the factory did not pay the minimum wages required by law, conducted forced overtime work and did not provide its employees with mandatory annual leave. In addition the factory had confiscated the passports and work permits of the employees, and certain employees had faced violence in their workplace. (Vartiala et. al. 2013.) In Finnwatch's follow-up report conducted in 2014, Finnwatch reported that the situation had not considerably improved in the Natural Fruit factory, even though Finnwatch concluded that Kesko had in fact taken the 2013 findings presented in the prior report seriously (Vartiala 2014).

3.5.2 Stora Enso and Child Labor in Pakistan

Stora Enso is a public company having its registered address in Helsinki and listed both in Nasdaq OMX Helsinki and Nasdaq OMX Stocholm stock exchanges. Stora

Enso has approximately 27,000 employees in over 35 countries. (Stora Enso Oyj 2014a, 1.) Stora Enso was founded in 1998 in the merger of Swedish paper company Stora Ab and Finnish paper company Enso Oyj. However, the company has a long history in the industry, as first mentions Stora Kopparsberg, the Swedish predecessor of Stora AB, date back to the 12th century. (Stora Enso Oyj n.d.a) In 2014, Stora Enso's revenue equaled to 10,2 billion euros (Stora Enso Oyj 2014a, 1). Stora Enso has emphasized sustainability in its operations as it stated its strategy to transform from a traditional paper and board producer to a supplier of renewable packaging, biomaterial, wood and paper solutions (Stora Enso Oyj n.d.b).

In 2014, Kalla Fakta, a Swedish television program airing on the Swedish channel TV4, released reported that Stora Enso had utilized child labor through its joint venture in Pakistan. According to the program Stora Enso has exploited child labor through the company Bulleh Shah Packaging Ltd. of which Stora Enso had a 35 percent share. The youngest children working for Bulleh Shah Packaging Ltd. were of the age of four. The compensation provided for the work was less than 10 cents per hour and these workers conducted 10-hour days.

After the revelation of TV4, Stora Enso admitted that child labor had been utilized and that it could not totally control the use of child labor in its production in Pakistan. (Sutinen 2014.) Also later on Jouko Karvinen, the CEO of Stora Enso, confirmed that Stora Enso had entered into the investment knowingly of the fact that child labor was utilized in the joint venture in question (Karvinen 2014).

The occurrence of child labor led to broad media attention both in Finland and in Sweden. In addition, the incident raised major stakeholder pressure, including pressure from Stora Enso's shareholders. In particular, Foundation Asset Management Ab and Solidium Oyj, as the major shareholders of Stora Enso, required that Stora Enso would find a solution to these child labor issues (Solidium Oyj 2014). In general, the issue was addressed in the Finnish media for a long period of time leading to broad critics towards Stora Enso, its CEO Jouko Karvinen and the overall corporate responsibility of the company.

4 Effects of Negative Events on Responsibility Reporting

In this Chapter I discuss the results of data analysis and present the findings of this study. Data analysis and the findings are presented in line with the iterative reading process presented in Chapter 3.4.2, and this Chapter 4 is therefore systemized accordingly. However, modifications to the Chapters presented below were made throughout the reading process as I got more acquainted with the data.

In the first instance in Chapter 4.1, I address the overall tone and style of the annual reports. In this chapter I also evaluate the effects of the negative events experienced by the case companies had to the overall reporting and to the abovementioned factors. The focus of the chapter is thus in answering the first research question of this thesis, i.e. how does a negative event in the field of corporate social responsibility affect a company's social responsibility reporting.

Subsequently, Chapter 4.2 focuses solely on how the case companies reacted to their respective negative corporate social responsibility events and attempted to re-legitimize their existence as a responsible member of society. Consequently, the focus of analysis is in responding to the second research question, i.e. how does a company strive to legitimate its non-compliance with socially accepted norms and values in its corporate social responsibility reporting.

4.1 Effects of Negative Events to the Overall Reporting of a Company

4.1.1 Vagueness in Defining Corporate Social Responsibility

In the companies reporting the basis that allowed modifications and amendments in reporting was the partial vagueness of the conceptualization of corporate social responsibility. There was a common understanding and a stance taken by the case companies that corporate social responsibility is a combination of economic, environmental and social responsibility, in other words, the three sectors of sustainability. This approach is seen in the systematization of their reporting especially as both of the case companies utilized the Global Reporting Initiative guidelines

for their reporting, and handling of each sector is quite apparent. However, other than concluding that corporate social responsibility includes all the abovementioned sectors, the companies had a lot of room for modifications on their understanding of what is considered as responsible behavior.

On the companies' perspective the bottom line and the benchmark level for considering corporate social responsibility seems to be the then-current legislation. Issues, such as product safety, or prevention of malpractice and competition, were often demonstrated through views of compliance with the then current legislation (see for instance Kesko Oyj 2011, 56). Legislation is seen as a particularly suitable benchmark for responsible behavior in situations and areas where the company is bound by the regulation of its home country or other country with sufficient legal standards, thus avoiding potential problems with a low-level legislation in a country of operation. Most often legislation was seen as solely the baseline level for corporate social responsibility and responsible behavior, which also provided possibilities for achieving performance beyond this baseline, in other words, above the legal standards:

1) *"We did this not only to make sure we comply with rules and laws in all of the communities where we operate, but to make sure we have a single global standard that often goes beyond local rules and practices."* (Stora Enso Oyj 2012, 4.)

Even though corporate social responsibility and its economic, environmental and social sectors are broadly discussed in the reports and legislation is seen to set the minimum standard for responsibility, corporate social responsibility was approached as an open concept and defined on a case-by-case basis. In none of the reports reviewed was the concept of corporate social responsibility explicitly defined. Corporate social responsibility appears to be demonstrated indirectly through the overall reporting by describing distinct approaches taken by the case companies.

Notwithstanding the fact that corporate social responsibility is not defined it was used as a somewhat undisputed concept in the corporate social responsibility re-

ports. Thus, what is meant by corporate social responsibility and what it contains is left to the reader to conclude:

2) "[…] *we are striving to further strengthen our ethical behavior and social responsibility.*" (Stora Enso 2013, 8.)

3) "*We bear our corporate responsibility.*" (Kesko Oyj 2011, 50.)

4) "*Responsibility is a strategic choice for Kesko and bearing corporate responsibility is on of Kesko's values.*" (Kesko Oyj 2013b, 4.)

Partly, the aforementioned may derive from the problem that corporate social responsibility truly is a "moving target" (Morsing and Schultz 2006), and is constantly in flux with regard to what is considered as responsible behavior. Responsibility may thus not be too restrictively defined as the company may have the need to redefine its understanding on its corporate social responsibility and responsible behavior as the expectations of the society change and as the company faces unexpected events concerning its responsibility.

In line with what is stated above, defining corporate social responsibility too strictly or promising a too high of a level of corporate social responsibility may cause an increased risk in case the company is not able to comply with its set standards. Thus, it may well be that companies need to leave certain room while discussing their responsibility and defining it in order to face changing demands. Meanwhile, there exists a dilemma with leaving sufficient room for modifications but still making a commitment to corporate social responsibility in an identifiable enough manner for the company's stakeholders.

In similar vein, certain corporate social responsibility related trends and stakeholder pressure might have a great emphasis on corporate reporting as companies try to demonstrate and define their responsibility. Most apparent example of following corporate social responsibility related trends is found in the use of the conceptualization of "*shared value*" in Stora Enso's reporting. Stora Enso has used this conceptualization extensively since its 2012 report, building a clear connotation to the term initially introduced by Michael Porter and Mark Kramer in 2011:

5) *"Stora Enso's renewed Global Responsibility strategy particularly addresses the need to create shared value in the communities where we operate. By creating shared value, we aim to increase Stora Enso's competitiveness, while at the same time promoting improvements on economic, environmental and social issues along our value chain."* (Stora Enso Oyj 2012, 17.)

In conclusion, the concept of corporate social responsibility as defined in the case companies' corporate social responsibility reports changes each year. This does not mean that the companies do not describe what is included in their conception of corporate social responsibility, but they avoid giving a too stringent of a definition in order to leave room for necessary amendments and modifications to their conceptions. For the purpose of describing and defining their responsibility, the case companies used well-known corporate social responsibility conceptualizations, stakeholder impressions and demands, and legislation among other things. All of the mentioned factors are versatile and changing by their nature and thus, by using these approaches companies avoided getting their hands too tied with the definitions provided in their reports.

As both case companies left corporate social responsibility partly undefined, the definition comes apparent mostly indirectly through what is reported and what is not. Consequently, while corporate social responsibility is defined by addressing particular situations, events faced throughout the year and thereto-related stakeholder reactions, the case companies' approaches towards corporate social responsibility tended to change accordingly. The direct impact of negative corporate social responsibility events to the approaches of the case companies is described more in detain below, in Chapter 4.2.

4.1.2 Emphasizing Positive Events

The overall tone of responsibility reporting remained highly positive with regard to both case companies. This may be explained by corporate social responsibility reports being important tools for communicating on a company's overall performance and, in particular, the results achieved. The need to report on the positive aspects in company's performance was apparent as the importance of giving a

positive impression to corporate stakeholders was directly stated in the reports, as demonstrated by extracts 6 and 7 below:

6) *"We are continuing with our responsibility work and want the results to be increasingly visible to our customers.*" (Kesko Oyj 2011, 6)

7) *"It is important that in their very first jobs future employees gain a positive image of the trading sector as a responsible employer.* (Kesko Oyj 2011, 6)

Stora Enso, however, tended to take consistently a less affirmative approach as is presented below in extracts 8 and 9:

8) *"We wrote it* [Stora Enso Global Responsibility Report 2012] *to tell you about our work, our successes and failures, and where we are going*." (Stora Enso Oyj 2012, 4.)

9) *"To me* [Jouko Karvinen, the then current CEO of Stora Enso] *this is what Global Responsibility is essentially about: listening to our stakeholders, understanding our impacts and opportunities, and then taking action*." (Stora Enso Oyj 2013, 4.)

It was established that as Stora Enso had had prior corporate social responsibility related problems leading to the above-described approach that was somewhat more modest than the approach taken by Kesko. The public, in general and notwithstanding the negative corporate social responsibility events, considers Kesko as a highly responsible company. As also demonstrated above in extracts 6 and 7, the focus of Kesko's reporting was more on reporting on the past results and making them apparent to its stakeholders. However, Stora Enso's overall approach tended to be quite forward-looking, as demonstrated below in extract 10, making it possible to remain the positive tone in the form of optimism:

10) *"We set high ethical and professional standards throughout our global operations and fully respect and support the human rights and labour rights of all our employees and the communities around our operations. We are committed to ensure that our workplaces are healthy and safe, and we aim*

to make Stora Enso more than ever an employer of choice" (Stora Enso Oyj 2013, 37.)

Even though the reports contained a lot of fact driven and measurable matters, most sections with a narrative approach tended to promote a highly and even an overly positive message. Both companies had included cases and statements, which could be regarded more as promotional messages. These messages give support to the previously acknowledged issues that corporate social responsibility reporting may be used even as a tool for impressions management (Neu et. al. 1998). Cases and narratives were used by Kesko in particular, which might be a result of the prerogative presented by extracts 6 and 7 of getting its responsibility and results more visible to its corporate stakeholders and thus, to promote its responsible behavior which in its opinion had not been realized in full by its stakeholders.

Even though Stora Enso took a more neutral approach to presenting its responsibility to its stakeholders, there were demonstrations of promotional aspects also in its reporting, which were not particularly based on any direct evidence or findings related to these statements. The promotional approach is presented for instance in the following extract 11, which is a general statement by Anne Brunila, the Chair of the Global Responsibility and Ethics Committee of Stora Enso:

11)"*It will be yet another groundbreaking year for Stora Enso with regard to Global Responsibility.*" (Stora Enso 2013, 5)

The promotional approach in the statement above appears to be caused by its vagueness leaving unanswered what should be considered as a "groundbreaking year" and as "Global Responsibility". These concepts were left unsupported in the given context. However, as stated already earlier the vagueness of conceptualization made possible also the adoption of a positive approach even when the company needed to address negative corporate social responsibility events.

It was not only the positive events that were emphasized. Interestingly, both companies tended to repeat their commitments to certain systems and standards in areas where they seemed to have corporate social responsibility related problems. In Kesko's case this meant repeating commitments to the Business Social Com-

pliance Initiative (BSCI) auditing system and the SA8000 standard for assessing suppliers in high-risk countries (repeated directly for example in the Kesko Oyj 2011 pages 7, 31, 54 and 57). Stora Enso represented repeatedly its commitment to the UN Global Compact especially when social problems were addressed (see e.g. Stora Enso 2013 pages 5, 34 and 69). Thus, through repetition companies strengthened the important messages through repetition especially when making commitments to well-known standards.

It was also to be noted that the positive results were reported more often than the negative results or events. As discussed more thoroughly in Chapter 4.2.1 on the reactive approach of companies taken on negative corporate social responsibility events, negative aspects disclosed were mostly a result of increased stakeholder concerns in these matters or prior third party disclosure. This basically meant that the cases voluntarily disclosed by the companies without a prior third party disclosure were mainly providing positive insights on the corporate social responsibility performance of the company.

4.1.3 Increasing Reporting on Sectors Facing Negative Events

In addition to the vast reporting on the positive events and achievements of the company, the case companies tended to report more broadly on the sector that was under external pressure due to the negative event. Even though negative events and cases were substantially smaller in number in the reports of the case companies, third party pressure or third party disclosed cases were thoroughly reported. For instance, Stora Enso reported on its corporate social responsibility activities in Pakistan in 2012 only with two sentences (Stora Enso Oyj 2012, 18). However, in its Global Responsibility Performance Report of 2014, when the issues in the Bulleh Shah Packaging Ltd's factory had been revealed, Stora Enso's operations in Pakistan had its own 3 page chapter in the report and was discussed thoroughly also in other parts of the report.

Kesko seemed to have similar tendencies in its reporting supporting the above-mentioned findings. As the issues with its joint venture in Thailand were discussed already in Kesko's 2012 report by commenting the Finnwatch report briefly in two occasions (Kesko Oyj 2012, 46 and 49), they were discussed in a more in-depth

manner and in a separate chapter in Kesko's report of year 2013 (Kesko Oyj 2013b, 76-77).

However, the amount of reporting on purchasing and supply chain issues did not increase as notably since Kesko has been recognizing supply chain issues as one of its key themes in all of the analyzed reports and already prior to the occurrence of the respective negative event. Opposite tendencies were found in Stora Enso's 2014 responsibility report as its reporting directly on social issues, and human rights issues in particular, doubled in terms of pages in comparison to the report of the year before. The increased stakeholder pressure and especially the child labor concerns in Pakistan were provided as explanations to the increased coverage:

12) "*Compared to previous years, the stakeholder representatives in our Online Advisory Panel gave increased emphasis to human rights issues. One such issue is child labour which was a major stakeholder concern in 2014 in relation to the supply chains of our joint venture company Bulleh Shah Packaging in Pakistan.*" (Stora Enso Oyj 2014b, 6.)

Other issues addressed by Stora Enso consisted mostly of operations in risk countries, problems with regard to biodiversity, and responsibility concerning the preservation of forests and plantations. These issues seemed to be of high stakeholder concern and potential impact.

Partially, the social and environmental concerns faced by Stora Enso might have contributed to the substantial increase in length of its responsibility reporting in 2014 as in particular the issues in Pakistan were covered more than ever. It is to be noted that also Kesko's responsibility reports have constantly become significantly longer. However, with the method utilized in this study, it is not possible to conclude whether the increased reporting results from broader reporting on negative corporate social responsibility events or other factors.

Thus, reporting of companies tends not to be guided only by what is perceived as positive information by the stakeholders. Altogether, problematic or risky sectors with regard to the company's own and the industry's overall responsibility seem to be covered in a broad manner. In addition, negative events tend to raise coverage on certain topics and sectors that are highlighted by stakeholders as important

particularly with regard to the company's performance and legitimacy. In line with the aforementioned findings, the following Chapter 4.2 focuses on how companies react to these stakeholder concerns on a negative corporate social responsibility event and report on their non-compliance in that particular question.

4.2   Reacting to Negative Social Responsibility Events

4.2.1   Reporting in Reaction to Stakeholder Pressure

As already demonstrated above, stakeholder concerns seem to be more and more of interest to the companies. Thus, reporting addresses increasingly the positive performance of which the companies want their stakeholders to become aware of or of negative issues that have raised stakeholder concerns. This pronounced importance of stakeholder concerns may be seen to support the argumentation of a trend of stakeholder empowerment (e.g. Margolis and Walsh 2003; Smith 2003) as stakeholders may influence the companies more effectively than before through, among other things, informal sanctioning such as boycotts.

Kesko addressed its supply chain problems briefly already in its 2012 report even though the negative corporate social responsibility event under evaluation occurred in year 2013 and was thus, out of the scope of the report. This demonstrates that also corporate social responsibility reports may be used in order to handle the negative public attention caused by a negative event and as an immediate response to stakeholder pressure. However, due to the nature of corporate social responsibility reporting and the reports being published on annual basis, reporting itself may rarely be of immediate assistance with regard to negative events and the primary tool for communication.

Negative corporate social responsibility events were rarely reported voluntarily without a third party disclosure. In many cases being reactive to stakeholder pressure is a matter of not being aware of the problems prior to the third party disclosure. This appeared to be the case with Kesko as its issues in its supply chain issues were revealed by Finnwatch and there at least appeared to be no implications of prior awareness from Kesko's part. Thus, in its report issued prior to the

negative event revealed by Finnwatch, Kesko discussed its supply chain issues in a more general and speculative manner:

13) *"There are no reliable statistics available on countries of origin of these imports, which mainly consist of international branded goods that have been the subject of much attention in respect of assuring the responsibility of their production in recent years. There may also be social risks involved in the manufacture of products imported to Finland through third countries or in the production of their ingredients."* (Kesko Oyj 2011, 85.)

On the other hand, Stora Enso, even though it had had prior knowledge of child labor issues related to Bulleh Shah Packaging Ltd., had not discussed its problems before the event was disclosed by the Swedish television channel TV4. In its 2013 report, the report being issued prior to the third party revelation of the problems in Pakistan, Stora Enso addressed the human rights aspects of conducting business in Pakistan and demonstrated challenges regarding the sustainability of its processes and operations:

14) *"Prior to completing the joint venture agreement, Stora Enso carried out a sustainability due diligence process looking into all sustainability aspects of the investment, assessing risks, and agreeing on a sustainability action plan together with Bulleh Shah. The main sustainability challenges identified in the due diligence were human rights risks in the initial links of the supply chain, particularly concerning children working with their families collecting wheat straw or recovered paper and board."* (Stora Enso Oyj 2013, 30.)

Thus, before negative aspects in a company's corporate social responsibility become revealed by a third party they are more likely to be framed as challenges instead of issues. It is also noteworthy that prior to the third party disclosure by TV4, child labor issues in Pakistan were seen to occur in connection to children working together with their parents. Notwithstanding what is stated above, voluntary disclosure of negative corporate social responsibility events occurred rarely, if at all, in the data analyzed. The aforementioned is also supported by similar findings regarding prior negative corporate social responsibility events of Stora Enso.

Altogether stakeholder concerns seemed to trigger disclosure on, and as a reaction to, negative events:

15) "*Since our two joint ventures in South America have attracted considerable attention among our stakeholders, this report covers the issues concerned.*" (Stora Enso Oyj 2012, 8.)

In conclusion, reporting tends to be still somewhat guided by what is considered to give a positive impression to stakeholders and is not directly separable from practices of managing stakeholder impressions. Negative aspects are disclosed in reports when negative incidents get revealed. The following Chapters focus more on how companies discussed the negative corporate social responsibility events after these incidents have been revealed.

4.2.2 Avoiding Culpability

Prior to the negative corporate social responsibility events, the case companies utilized words such as "commit" and "comply" which can be understood as representations or undertakings of certain level of performance. Tendencies in company reporting to utilize wordings that would imply zero-tolerance on irresponsibility and non-compliance also with regard to supply chain activities appeared to be generally more common prior to negative events. As shown in extracts 16 and 17 Stora Enso demonstrated an approach where similar standards were set to Bulleh Shah Packaging Ltd and other suppliers as was set to Stora Enso's own operations:

16) "*Bulleh Shah Packaging Ltd will fully comply with Stora Enso's Global Responsibility approach, and a local organization for handling sustainability issues will be formed.*" (Stora Enso Oyj 2012, 18.)

17) "*In business relationships with suppliers Stora Enso insists on strict compliance with international human and labour rights conventions.*" (Stora Enso 2012, 29.)

After facing the negative corporate social responsibility events negative both case companies avoided wordings, which could be interpreted as representations or undertakings regarding the negative event. Thus, stakeholder pressure and a fear

of liability and informal stakeholder sanctions caused case companies to take a less binding stance on their responsibility and often to adjust the level of rigor the company reported on its commitments.

The aforementioned is demonstrated as Stora Enso attempted to distance itself from Bulleh Shah Packaging Ltd. also in terms of describing its relationship with the said company more distantly than prior to the occurrence of the negative event. Prior to the event, Stora Enso utilized the terms "*joint venture*" and referred to Bulleh Shah Packaging as "*co-owned*" with the Pakistani company Packages Ltd as described in extract 18. Stora Enso also mentioned its commitment to increase its ownership to 50%, i.e. made a representation of gaining majority ownership of the company. The increase in ownership would have made the company Stora Enso's affiliate in legal terms:

> 18) "*Our initial shareholding in the joint venture* [Bulleh Shah Packaging Ltd]*, co-owned with the locally based company Packages Ltd, is 35%; but Stora Enso has made a commitment to subsequently increase this share to 50%. The joint venture agreement was completed in 2013.* (Stora Enso Oyj 2013, 7.)

However, post-incident references to Bulleh Shah Packaging Ltd. by Stora Enso emphasized substantially less the nature of the Pakistani company as a joint venture instead describing it as, for example, an "*equity-accounted investment*" (see Stora Enso Oyj 2014b, 6). Stora Enso also highlighted that it only had a minority ownership in Bulleh Shah Packaging Ltd. (see Stora Enso Oyj 2014b, 16). In addition, no references were made to the joint venture agreement that Stora Enso had entered into regarding the Pakistani company and the there stated Stora Enso commitment to increase its ownership.

These amended wordings distanced Stora Enso from the company directly culpable for the occurrence of the said negative event. Stora Enso's reporting in 2014 also neglects to discuss whether Stora Enso will in the future be acquiring the majority ownership, and thus, increase its legal obligations with regard to the joint venture.

Interestingly, in its 2013 report Stora Enso represented that its suppliers that were audited during the years 2012 and 2013 were in full compliance with regard to use of child labor, and other forced labor practices:

19) "*None of the non-compliances found during supplier audits conducted in 2012 and 2013 were related to child labour, forced or bonded labour, freedom of association or dangerous work environments.*" (Stora Enso Oyj 2013, 45.)

However, as previously presented in extract 14 above, in 2013 Stora Enso had conducted a supplier due diligence on Bulleh Shah Packaging Ltd. identifying "challenges" with regard to human rights and child labor issues. Not considering a prior due diligence process as a supplier audit made possible the avoidance of addressing the event as an audit issue and thus, dodge accusations of culpability with events related to the time prior to the exposure made by TV4.

In 2014, Kesko took quite a similar approach in response to the audit results provided by Finnwatch in its 2014 follow-up report. In its 2013 report, Kesko stated that in its audit it had found that most things were in order in the factories of its suppliers situated in Thailand. However, after the follow-up report by Finnwatch it emphasized that Finnwatch's audit results deviated vastly from its certified auditing of its suppliers of pineapple juice:

20) "*The follow-up report by Finnwatch revealed, however, some data that greatly deviated from audit report results in one of them: Vita Food Factory.*" (Kesko Oyj 2013b, 76.)

Kesko's approach to its non-compliance showed practices of avoiding culpability, as it also utilized rhetoric such as sharing the blame with other companies in the same industry and with other relevant third parties. Kesko partly accepted responsibility for the problems faced in its supply chain but referred to a shared responsibility together with other parties and stakeholders as demonstrated in extracts 21 and 22 below:

21) *"These problems continue despite action having been taken, showing that improving human rights requires all parties across the supply chain to work together."* (Kesko Oyj 2013b, 76.)

22) *"No company can change the world alone, but cooperation between all operators - governments, NGOs and the entire supply chain - is needed."* (Kesko Oyj 2013b, 77.)

Meanwhile, Kesko also wished to demonstrate and accentuate that the amounts imported from the factory with questionable reputation were small (Kesko Oyj 2013b, 73) and thus, possibly striving to mitigate the public reaction caused by negative events.

Altogether, there appears to be a tendency of companies avoiding broad commitments after they have faced a negative corporate social responsibility event and attempting to undermine prior representations made in order to restrain from appearing culpable to the event itself. Commitments made were formulated in a manner that allowed certain room for adjustment. This conclusion is in line with the findings made in Chapter 4.1.1 with regard to defining corporate social responsibility openly and indirectly through company activities and operations. In cases of facing non-compliance with representations and undertakings made, the case companies strived to provide an impression that sufficient measures had been taken but restrained from repeating these representations.

4.2.3 Looking forward

As it was important for the companies not to expose themselves to potential liabilities or appear culpable for the negative event caused, it was also important to appear to take the situation seriously and provide a sense that the company was about to correct the non-compliant performance in the near future. For the case companies, this meant demonstrating that steps had already been taken and further measures were still to be taken in the future, as presented by extracts 23, 24 and 25 below:

23) *"Bulleh Shah Packaging then terminated its UCB* [used carton board] *supply network in April 2014, and is currently working to rehabilitate the affect-*

ed children in schools run together with local NGO partners. At the same time the company has intensified audits of old corrugated container (OCC) suppliers and agricultural residual suppliers, which are especially susceptible to children's rights violations" (Stora Enso Oyj 2014b, 10.)

24) "[…] *Stora Enso performed a series of more comprehensive human rights assessments in 2014* […]" (Stora Enso Oyj 2014b, 20.)

25) *"Kesko takes the issues brought up by the report seriously. We are working to create a business model that would enable us to keep better track of the implementation of our purchasing principles throughout the entire sourcing chain, including indirect purchases from high-risk countries."* (Kesko Oyj 2012, 46.)

It appears that negative events change the prerogative of reporting regarding the sector where non-compliance was to be found. Prior to the negative corporate social responsibility events, the case companies tended to report on achievements and positive events, for instance, that no non-compliances were found (e.g. Stora Enso Oyj 2012, 29 and Stora Enso Oyj 2013, 45). However, after the occurrence of negative corporate social responsibility events, the companies tended to admit non-compliance with their then current practices, but wished to emphasize the results already gained and the results to be gained with the measures taken in order to prevent the occurrence of similar negative events in the future.

However, these statements presented by the case companies differed from the nature of commitments made in the field of corporate social responsibility prior to the occurrence of the negative corporate social responsibility events. Instead of representing and undertaking commitments or requiring compliance from its suppliers, the statements did not make promises, but demonstrate efforts taken. Thus, it appeared that the companies did not want to tie their hands with taking a too stringent of an approach and by promising too much, which would have increased the risk of not living up to their promises and stakeholder expectations. Hence, as shown by extracts 26 and 27, the case companies tended to set targets instead of commitments in the sector where the negative event had occurred and promises to remedy in case these targets were not to be achieved:

26) "*Kesko Food's aim is to have the social responsibility of the production of its own direct imports from high-risk countries 100% assured by the end of 2015, compared with the rate of over 95% at the end of 2013.*" (Kesko Oyj 2013b, 77.)

27) "[…] *Stora Enso is committed to remedy any situation where our activities have caused or contributed adverse human rights impacts, in spite of all our efforts to avoid such cases.*" (Stora Enso Oyj 2014b, 21.)

As demonstrated by extract 27 above, in case the target of total commitment to human rights may not be achieved, Stora Enso demonstrated a remedial approach, in other words not promising total compliance but guaranteeing responses to non-compliance. Thus, the commitment given was limited and restricted by future-related aspects.

As a concluding remark, a negative event amended company reporting in the particular corporate social responsibility matter from reporting of positive past performance towards a future-looking approach. A negative event caused the companies also to secure their future performance by giving itself certain carve-outs in case its future targets set out were not to be achieved in the process and its operations.

5 Conclusions and Discussion

5.1 Conclusions

In this Chapter, I discuss the findings presented in Chapter 4 in relation to the research questions set for this study and prior research. Altogether, the findings contribute to the existing literature on corporate social responsibility analyzed in the light of legitimacy theory and moral legitimacy (e.g. Livesey 2001b; Livesey 2002; Palazzo and Scherer 2006; Joutsenvirta and Vaara 2009; Joutsenvirta 2011), and in particular, the literature on companies relegitimizing their existence after a negative corporate social responsibility event (e.g. Cho 2009; Hahn and Lülfs 2014). In addition to concluding and demonstrating the findings in light of the current research presented, I also reflect on the findings are to be seen with regard to the overall research objective of this Master's thesis, i.e. whether corporate reporting on negative corporate social responsibility events gives the true and fair view on the case companies' non-financial performance.

5.1.1 Redefining Responsibility

With regard to the first research question, i.e. how does a negative event in the field of corporate social responsibility affect a company's social responsibility reporting, the premises rely on how does the company itself define its corporate social responsibility. In line with the legitimacy theory and the conceptualization of moral legitimacy corporate social responsibility seems to be a "moving target" and constantly negotiated between the company and its stakeholders. This also influences how the companies see their own corporate responsibility and define it in their corporate social responsibility reporting.

As presented by Morsing and Schultz (2006) companies face the problem concerning the need to address the concept of corporate social responsibility that in reality is constantly in flux. As demonstrated above, the case companies tended to define corporate social responsibility in quite an open manner, leaving themselves a possibility to react to possible non-compliance with the set standards and changing stakeholder emphasis. Often, the minimum level of responsible behavior was

demonstrated as compliance with relevant legislation, which at least in theory forms the mandatory minimum requirement for the company. By referencing the law as the minimum standard, the company gives itself potentially more room to amend its approach, without the need to explain its failure to address the standards it has set for itself.

Thus, the case companies' conceptualizations and definitions of corporate social responsibility were constructed through the overall reporting of a company instead of through strictly defining responsible behavior. These conceptualizations appeared to change from year to year as the companies faced different events and situations. The conceptualization was particularly open for modifications in sectors where responsible behavior was defined in line with the current legislation setting the minimum standard for responsible behavior. In addition, companies strived to comply with what was generally considered responsible in the society at the given time. This was demonstrated, for instance, in the use of popular or even trendy notions and concepts, such as shared value, in the corporate reporting.

Negative events also raised the amount of information reported on the event itself. The company usually addressed these events separately and thoroughly in its reporting. This was mostly motivated by increased stakeholder concerns as potential risks and negative events were broadly reported. The aforementioned may partly be caused by the need to address the sectors where the company perceives potential legitimacy gaps in its performance (O'Dwyer 2002).

Supporting prior findings of O'Donovan (2002) Holder-Webb, Cohen, Nath and Wood (2009), and Cho (2009) the overall tendency of reporting appeared to be highly positive regardless of the company facing difficulties in its performance, and this approach was emphasized when companies had to address negative events. The tendency towards even overly positive reporting was the most apparent in the narrative parts of the reports of the case companies. However, there was no notable or apparent change with regard to focus of company reporting. Yet, similar tendencies of blurring the negative aspects of a company's performance as suggested by Cho, Roberts and Patten (2010) and as discussed later in detail in Chapter 5.1.2.

The vagueness of the conceptualization of corporate social responsibility allowed the company to amend its overall reporting when facing negative corporate social responsibility events. Consequently, negative events would be addressed in a manner that would allow the company to present itself as a responsible actor in the society. It appeared that as Stora Enso had been facing more negative events than Kesko within a small amount of time, its overall reporting tended to be more forward-looking. Kesko's reporting focused more on how to demonstrate its responsible behavior and report on the positive aspects of its responsibility to its stakeholders efficiently, while Stora Enso had to focus more on making corrective efforts and demonstrating remedies for its non-compliance.

Nevertheless, as companies tend to react more to stakeholder concerns than negative events in themselves, the findings supports the increased importance and the utilization of the concept of moral legitimacy when defining companies' corporate social responsibility (Palazzo and Scherer 2006; Joutsenvirta 2011), where stakeholders and companies negotiate on the level of responsibility of a particular company. In order for companies to negotiate on the level of their responsibility they need to address thoroughly the issues causing concerns to stakeholders. Due to increasing interest in corporate social responsibility and stakeholder empowerment (e.g. Margolis and Walsh 2003; Smith 2003), the influence of stakeholder pressure is apparent in the corporate reporting and likely to become even more critical in the future. The findings also support that legitimacy may be influenced both by external pressure, in the light of corporate social responsibility especially stakeholder power, and at least attempted to be influenced by managerial and internal actions such as influencing through responsibility reporting (Suchman 1995).

5.1.2 Regaining Legitimacy

Considering the second research question, i.e. how does a company strive to legitimate its non-compliance with socially accepted norms and values in its corporate social responsibility reporting, it was clear that companies used discursive practices in order to influence the stakeholder perceptions. In line with the prior research on corporate social responsibility reporting and negative events, the reporting on

the negative events seemed to be addressed with communicational means moti-
vated by the purpose of regaining the company's legitimacy (see e.g. Cho 2009;
Hahn and Lülfs 2014). This also partly supports the assumption of Våland and
Heide (2005) that companies attempt to manage the negative event in question.

Interestingly, negative events of the case companies were mostly reported only
when they had previously been disclosed by a third-party. In other words, the case
companies rarely initially reported on the problems faced proactively even though
they had prior knowledge about the issues. Thus, it appears that negative corpo-
rate social responsibility events tend to be managed out of the public attention
whenever such an approach is available and a true possibility for the company,
even though such approach may increase the risks related to the event in question
(Våland and Heide 2005; Hahn and Lülfs 2014). The finding supports that changes
in corporate social responsibility reporting and reporting on negative events is
highly related to stakeholder pressure and concerns, which usually serve as the
drivers for corporate social responsibility reporting.

The aforementioned may partly be due to the prior finding that stakeholders have
a tendency of punishing non-compliant behavior while positive performance is not
rewarded to similar extent (Sen and Bhattacharya 2001; Klein and Dawar 2004).
Thus, even though a disclosure would be regarded as responsible and transparent
behavior in itself, it may place corporate reputation directly at risk (Morsing and
Schultz 2006; Hahn and Lülfs 2014). Consequently, it appears that it is quite un-
likely that companies initially report about their negative corporate social responsi-
bility events. However, as this Master's thesis evaluates only a limited amount of
case companies and their reporting, it is not possible to indisputably and conclu-
sively draw such a conclusion.

The approaches taken by the case companies with reference to their negative
corporate social responsibility events were mostly reactive by nature. This was
highlighted first and foremost in the tendency to avoiding culpability and further
representations about their performance in the sector influenced by the negative
event. The aforementioned is further supported by the findings of Cho (2009) as
he identified in a single case study that the case company tended to disclaim its
response in reaction to a judicial process that occurred after an environmental dis-

aster. However, based on the findings of this Master's thesis it appears that companies take similar precautions in their reporting even though judicial measures would, and could, not be targeted towards them or such judicial proceedings seemed unlikely.

However, even though companies tended to follow stakeholder reactions in their reporting, thus being reactive while reporting on non-compliance, corporate approaches became essentially more proactive after the disclosure of the negative event as problems were always addressed with a planned way forward. This demonstrates in particular the change of perspective with regard to reporting on the negative event and supports the findings of Våland and Heide (2005) stating that companies wish to manage the negative events faced. By looking to the future, it is still possible to address the negative event in less critical light by demonstrating that the company is taking steps to correct its approach. It also appeared that companies made commitments in relation to negative events and thereto related corrective actions. However, in comparison to the representations and undertakings taken in relation to the particular sector where the responsibility issues were faced, the representations tended to be less affirmative and binding by nature.

In addition to modifying their overall approach towards corporate social responsibility and thereto-related issues, negative events required the case companies also to redefine their corporate social responsibility in the sector under stakeholder pressure. The negative event caused Stora Enso to open up what its corporate social responsibility meant in a particular situation, as before the revelation of human rights and child labor issues, Bulleh Shah Packaging Ltd and its social responsibility ware discussed only briefly. Similar tendencies were also identified in Kesko's reporting.

The findings presented above demonstrate a clear tendency that companies strive to use vague conceptualizations that do not demonstrate explicit commitments. Representations are, however, more likely to be made when the companies are performing well. Consequently, negative events tend to add to the obscurity of reporting and make the companies refrain from language that could be considered

as direct representations or warranties concerning a particular level of performance. Instead, companies address the event with future measures to be taken.

5.1.3 "True and Fair View" and Non-Financial Reporting

This study was motivated in particular by the regulatory developments in the field of corporate social responsibility, namely the new Directive on Non-Financial Reporting. As a result of implementation of the Directive on Non-Financial Reporting, the requirement of "true and fair view" presented in the Finnish Accounting Act Chapter 3 Section 2 is likely to concern also non-financial reporting, as the Directive on Non-Financial Reporting requires that the corporate responsibility reports or non-financial statements, which ever the companies decide to issue, will become a part of the Annual Report. Therefore, it is possible that false reporting could cause breach of the Finnish Accounting Act (30.12.1997/1336) and the Finnish Limited Liability Companies Act (21.7.2006/624). (Lautjärvi 2014, 48-50.)

The data analysis raises the question whether companies do give a true and fair view of their corporate social responsibility in their respective reports. As the aforementioned may at least be partially debatable, it is not certain whether the current reporting of the case companies complies with the standards of the Directive on Non-Financial Reporting, which is to be adopted by the member countries of the European Union. For instance, the statement of Stora Enso's Global Responsibility Report of Year 2013 partially referred above as extract 10 and restated in its entirety below, could prove problematic with regard to human rights issues in particular as Stora Enso had been aware of these problems prior to the acquisition of a major share in Bulleh Shah Packaging Ltd.:

> "In our People and Ethics Lead Area our focus is to conduct business in a socially responsible manner throughout our value chain. We set high ethical and professional standards throughout our global operations and fully respect and support the human rights and labour rights of all our employees and the communities around our operations. We are committed to ensure that our workplaces are healthy and safe, and we aim to make Stora Enso more than ever an employer of choice." (Stora Enso Oyj 2013, 37.)

Whether such representations and statements may be regarded as binding and sufficient to raise claims on the basis of the liability of directors under Finnish Limited Liability Companies Act is to be seen after the directive has been fully implemented. However, the issue is likely to raise interest and questions in companies and their directors when the first reports required to comply with the provisions set out in the Directive on Non-Financial Reporting are published in year 2017.

5.2 Practical Implications

The findings presented above provide clear evidence that both the overall reporting of a company and reporting on sectors where a company has faced negative corporate social responsibility event tend to alter after an occurrence of a negative event. As these tendencies appear to be consistent with regard to both of the case companies, the findings provide insight of reporting practices on negative events for both, the interpreters of corporate reporting, and the company, its employees and its managers. For the readers and users of non-financial information provided in corporate social responsibility reports, by shedding light on corporate practices on reporting on negative events and their overall influence to the responsibility reporting, this Master's thesis provides assistance in interpreting reporting on negative events.

For company managers, a major question pointed out by this study is whether they should reflect on the corporate practices with regard to non-financial reporting and how it responds to the arising obligation of giving the true and fair view also with regard to non-financial information. As it appears that reporting obligations are becoming more stringent and moving towards similar standards and principles utilized in financial reporting, corporate managers need to be careful with what kind of representations and warranties they give in their social responsibility reports on the performance of the company.

Consequently, there is a clear tendency of a movement towards a more regulated reporting environment. As the Directive on Non-Financial Reporting sets the initial legal obligations with regard to corporate social responsibility reporting, these obligations are at least not likely to become less binding in the future. On the contrary, looking at the regulatory environment in the 21th century, it appears that corporate

reporting related legislation is increasing, thus companies should consider their current level reporting and the trustworthiness of their reporting.

Based on these findings of this Master's thesis, there appears to be a need to estimate the question to what direction should corporate social responsibility reporting should be developed. There appears to occur a clear change in the reporting of both case companies after they have faced a negative event. Thus, in the future, evaluating whether there is a need to restrict such reporting practices and tighten the reporting obligations and standard should be addressed. Responding to the above-presented question requires addressing and careful analysis of the effects that would be caused by the more extensive reporting requirements, and the transactions costs related to the more obliging reporting obligations should be estimated. However, stricter reporting obligations and legal requirements could provide effective means in enhancing responsible behavior of companies.

In additions to the implications demonstrated above, this Master's thesis also contributes to the practical understanding of the conceptualization of corporate social responsibility and how companies define responsibility in the 21th century. It provides insight on how companies strive to meet the ever-changing social requirements on responsible behavior by gradually amending their conceptual approach. This leads to the fact that corporate social responsibility may never be exhaustively defined.

5.3 Limitations

The objective of this Master's thesis was to identify how a negative corporate social responsibility event modifies a company's perceptions of its legitimacy and how the company strives to regain its legitimacy when it has faced a negative corporate social responsibility event through corporate social responsibility reporting. Consequently, the data consisted solely of corporate social responsibility reports. The utilization of complementary data would have altered the objectives of this research and thus, the data was restricted by informed choice and for the purposes of answering the research questions set out for this Master's thesis. However, as the focus of this study was limited by choice to solely corporate social respon-

sibility reporting, no general and all-inclusive conclusions may be made about the legitimation strategies and communicational means that the companies utilize.

Limiting the data to corporate social responsibility reports neglected the stakeholder pressure and treated it as somewhat fixed. Thus, this study does not address how the intensity of stakeholder pressure affected corporate reporting on the negative events under evaluation. However, both negative events studied in this Master's thesis were targeted with sufficient stakeholder pressure in order for the case companies to address them thoroughly in their reporting. Thus, even though stakeholder pressure was treated as given in this Master's thesis, it role is regarded and evaluated while conducting the data analysis.

In addition, it needs to be noted that reports were collected from years 2011-2014. Even though this allowed a thorough analysis of the immediate change in corporate reporting, it does not allow evaluating whether these changes proved to become more permanent. This was, however, a necessary choice to be made, as I wanted to focus on recent negative events, and thus, be able to study the topic in the current context surrounding the issue.

The cultural context of the study was limited by nature and needs to be taken into consideration while evaluating the findings. Both of the case companies are situated in Helsinki and have major part of their operations in Scandinavia. It can be stated that environmental and social aspects are held in high regard in the Scandinavian countries. For instance, the Scandinavian welfare state model generally holds the employee rights in particularly high regard, and therefore, it is possible that social issues faced by companies are taken more seriously in the stated cultural context.

Finally, the prerogative of this study was to focus only on two case companies and analyze their performance in a thorough manner through critical discourse analysis. The study could profit from empirical testing of the findings through quantitative means, or through qualitative content analysis focusing particularly to the changes that occur in company reporting due to negative events. The aforementioned methods could also be utilized to analyze whether the findings of this study are generalizable and are reoccurring while companies face negative corporate

social responsibility events. As this study is limited to two case companies, the results are not generalizable as such and would require further support. Instead, it is to be regarded that the Master's thesis represents first and foremost an interpretation of corporate reporting on negative corporate social responsibility events.

5.4   Future Research

This study and its limitations presented above provide apparent possibilities and paths for future research. In line what is presented above when addressing the limitations of this Master's thesis, the utilization of supporting methods would be highly encouraged in order to identify whether the findings may be generalized and consistent. Also a longitudinal research with a longer time perspective than applied in this study would enable evaluating whether corporate reporting is amended more permanently on the basis of a negative event faced and experienced by a company, or whether these modified reporting practices were only temporary by nature.

In addition, it should be noted that both negative events evaluated in this Master's thesis were primarily disclosed by an independent third party, i.e. in Kesko's case by a non-governmental organization and in Stora Enso's case by the media. Consequently, cases in which companies have initially disclosed the negative events themselves, to the extent such cases may be found, could be analyzed in the light of whether there exists significant differences related to who discloses the negative event, and to what extent such differences appear.

Future research could also be conducted on how stakeholders react to corporate reporting on negative corporate social responsibility events and what are their perceptions about the practices used by the companies. Moreover, as it has been pointed out by Hahn and Lülfs (2014) it is unclear whether companies would profit from proactively disclosing on the negative aspects of their corporate social responsibility in comparison to letting the negative aspects be disclosed by third-parties. Research on the topic would provide assistance for companies facing problems on how negative corporate social responsibility events should be addressed.

Lastly, the adoption of the new Directive on Non-Financial Reporting provides interesting questions and research objectives to be fulfilled. In particular, more research should be conducted on how reporting on negative corporate social responsibility events changes due to more stringent regulatory requirements. Such analysis would provide valuable insight for regulatory authorities and legislators with respect to whether increased legal obligations on corporate social responsibility reporting would promote a more responsible overall behavior of companies or at least lead to more trustworthy reporting practices.

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