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COMMUNICATING CORPORATE SOCIAL RESPONSIBILITY
Reporting Practice in Retailing

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ABSTRACT

The study describes corporate social responsibility (CSR) as it is reflected in corporate communication. The aim is to find out *how companies use CSR reports to convey the sense of social responsibility* by answering the following questions: What kinds of CSR reports are being produced? How is CSR perceived? Why is CSR a relevant issue to companies? The data of the qualitative document analysis comprises of four CSR reports produced by internationally operating European retailers.

The study shows that the CSR reports are targeted at a wide, non-defined range of stakeholders in order to promote an image of a company acting in a responsible way. The contents of responsibility are defined by the companies themselves in corporate values and business principles. Even if the importance of stakeholder dialogue is stressed, the reports represent one-way, subjective, managerial-level communication from the sender to the receiver. The channel used for sending the message is safe, non-innovative, resembling the traditional annual report. The reporting does not seem to be based on the receiver's information needs but rather on the sender's need to legitimise the business. The companies do not hesitate to admit that corporate social responsibility is approved as long as it is financially beneficial. On the other hand, a strong financial position makes it possible for the companies to engage in CSR activities.

It seems there remains a lot to develop in CSR reporting. Companies need to look at their activities more objectively, to engage in stakeholder dialogue and to reflect this in their CSR reports.

Keywords:
Corporate social responsibility, CSR, corporate communication, reporting, retailing

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1 INTRODUCTION

Corporate social responsibility, CSR, has received remarkable publicity in recent years. Increasing media attention and growing consumer awareness have been feeding each other resulting in stakeholder claims targeted at companies. Consequently, companies are showing more interest and commitment around the issue. There is a general agreement that CSR comprises of three elements: economic, environmental and social responsibility. The three elements are said to be interdependent but economic responsibility can also be seen as means for the environmental and social dimensions. In any case, all the responsibilities are more or less regulated by law but recently there has been a trend of voluntarily promoting them.

Economic responsibility related to corporate transparency is traditionally covered in annual reports, and reporting on economic responsibility is regulated by law, although there is variation in accounting principles to certain extent. In regard to environmental responsibility, companies are facing more and more regulations affecting their activities. Discussion about mandatory reporting on corporate environmental issues has been increasing. Environmental reporting has developed in sense that there already exist generally acknowledged standards and codes, and even benchmarking is possible. Of the three corporate responsibility elements, social responsibility is the most recent trend. However, it is not a new phenomenon but more and more challenging companies and their reporting practices. Issues in the realm of social responsibility are partly regulated by law (e.g. terms of employment) especially in the developed world whereas reporting on social responsibility is currently based on voluntary initiatives. Yet, it is generally agreed that a great change is in process. Since a variety of standards and codes leads to confusion and to lack of credibility there is a need for coherent, generally approved systems, i.e. formal regulation. International governmental and non-governmental organisations along with international business organisations are making initiatives in order to make reporting recommendations. The growing number of CSR standards and codes reflects the fact that corporate social responsibility is an actual concern of global relevance.

The benefits of corporate social responsibility divide opinions. Some people argue that the increasing concern for ethical matters serves consulting firms only. Others believe that CSR is good for business because it may generate profits through consumer awareness, positive image and media publicity. It may offer competitive advantage and a way of differentiating. Neglecting corporate responsibility risks the company performance because it affects stakeholder relationships negatively. The idealists believe that CSR in general and reporting on it in particular have the potential of enforcing companies to behave ethically and thus improving general and individual well-being. In any case, the pursuit of CSR is generated from business ethics and it is closely related to stakeholder management. Being an issue of relevance to public relations and reputation management, it is an essential part of corporate communication.

This study describes corporate social responsibility as it is reflected in corporate communication. It aims to find out how companies use corporate social responsibility reports to convey the sense of social responsibility by answering the following questions:

- What kinds of corporate social reports are being produced?
- How is corporate social responsibility perceived?
- Why is corporate social responsibility a relevant issue to companies?

Answers to these questions will be explored by the means of a qualitative document analysis, the target of which are four CSR reports produced by internationally operating European retail companies: the French Carrefour (Sustainability report 2001), Finnish Kesko (Corporate responsibility report 2002), German Metro (Nachhaltig Handeln 2002) and British Tesco (Corporate Social Responsibility Review 02/03). The analysis is meant to describe the structure and content of corporate responsibility reports, and by doing so to provide a better understanding of the phenomenon of corporate social responsibility.

The structure of this paper will be as follows: First, the study focuses on ethics and stakeholder management. After that CSR in corporate communication will be discussed. In the remaining part of the study the main focus is on retail companies and their reporting practices. The paper will be concluded with discussion about the findings.

2 ETHICS AND STAKEHOLDER MANAGEMENT

2.1 Ethics in business

The relation of business and ethics generally divides opinions. Current examples in the business world have supported the arguments saying that business is far from being moral. Many companies have felt the need to underline their commitment in acting morally not only in economic sense but also in environmental and social matters. Ethics, or corporate social responsibility to be more exact, is becoming a generally acknowledged area of doing business. Yet, it is still contradictory.

Ethics means examining the moral standards of an individual or a society, and evaluating whether the standards are applicable, reasonable and supportable. It can be seen as a systematic attempt to determine the values worth pursuing. Business ethics, in particular, is applied ethics the focus being on moral standards applied to business policies, institutions and behaviour. As such, it does not change business practices unless those in a position to implement changes feel the need to do so. (Velasquez 1998, 11–16; De George 1999, 20–26.) Takala (1991, 9) determines the social responsibility of the firm as a part of moral responsibility: the company has not only social and economic duties defined by the law but also moral duties as well (e.g. respect for human rights). Like individuals or national states, the company is not to violate universal ethical principles. However, Carr (2001, 504–505) makes a distinction between ethical ideals and business principles. According to him, it is common in business to violate the ethical ideals of society and it does not necessarily mean that the principles of business would not be followed.

Business is often disliked because it is perceived as a dead, rationalistic, calculating machine, in contrast to the living culture. Business decision-making is seen as an amoral problem of calculation, not as making moral choices. However, business should no longer be conceived of as impersonal mechanisms but rather as meaningful expressions of human choices. Yet, business decisions cannot solely base on the general interest but that is not to say business would not have any social responsibility. To demand social responsibility from companies does not mean that business should not be profitable or that the capitalist system should be overthrown. Rather, profitable business makes it possible for companies to engage in social activities. It does not merely benefit the individual but also the society as a whole. (Lavoi & Chamlee-Wright 2002, 107–130.) Acting ethically is largely determined by the corporate culture and its values. Ultimately, what matters are the personal moral values of individuals forming a group of persons acting in the name of the company. (De George 1999, 213.) Corporate values are not rules but the presence (or absence) of them directs the organisational behaviour. If corporate values are to have value for business, they must be shared and lived up. It is the strategic interpretation that makes the values alive and the articulation of the values meaningful. (Markkanen 1998, 113–114.)

It can be argued whether the company can be seen as responsible for anything. Is it not the individuals in the company who have the obligations? Acting knowingly and willingly as a prerequisite for moral responsibility is not applicable to organisations as such, nor do organisations have a conscience; moral individuals are needed to change immoral structures. (De George 1999, 125–126.) But the company can be regarded responsible for an action since it is formed by human individuals. People have the primary moral responsibility because the company acts only if the individuals choose to act. The company is responsible in secondary sense. (Velasquez 1998, 16–18; 48–50.) The company is bound by a large set or moral rules that bind natural persons as well, and its purposes need to be morally justifiable. The whole organisation can be held both legally and morally responsible. (De George 1999, 193–194.)

In the business world it is usually the management who is to bear the social responsibility along with the economic accountability (see e.g. Pruzan 2001, 280). In this study, the role of managers is seen as decisive in making strategic decisions concerning social responsibility.

2.2 The concept and development of corporate social responsibility

Corporate social responsibility, CSR, has been under discussion lately. The purpose of CSR is to deepen and expand the contents of traditional corporate accounting and reporting mainly focused on corporate management and shareholders and targeted at profit-making. CSR seeks to make transparent to what extent the company is willing to assume social responsibility. (Dierkes, Marz & Antal 2002, 3.) It is perceived as the company's long-term footprint on society, the commitment of improvement (Frankental 2001).

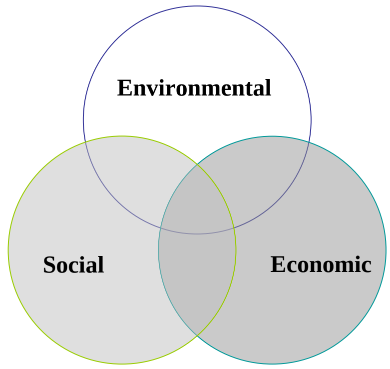

Figure 1: Metaphoric visualisation of corporate citizenship

For Zadek (2001, 7–8), ‘corporate citizenship’ means that business takes greater account of its social, environmental and financial footprints, which are not separate but intertwined dimensions (Figure 1). Carroll (1996, 37–38) perceives CSR to cover the economic, legal, ethical and philanthropic expectations that society places on organisations: economic and legal responsibilities are required, ethical responsibilities expected and philanthropic responsibilities are desired of business by society. Lantos (2001) distinguishes three types of CSR based on their nature (required vs. optional) and purpose (for the stakeholders' good, the company's good, or both): *Ethical CSR* is the morally mandatory minimal level the company owes its stakeholders. *Strategic CSR* is the financial responsibility the company owes the shareholders. It is not only self-serving but it benefits the society as a whole. *Altruistic CSR* lies beyond business responsibility because its benefit is uncertain and even irrelevant to the company. Lantos suggests that marketers as corporate communicators should concentrate on the strategic CSR. Zadek (2001, 9–12) stresses that the contribution of business to sustainable development is dependent on the viable options. The so-called degrees of freedom define what the company is able to do at a particular point in time, and they are formed by general (e.g. technological opportunities, public pressure) and company-specific (e.g. availability of finance, leadership) factors. Companies need to be judged based on their performance considering their possibilities and competencies (ibid. 136).

CSR is not a new phenomenon and interest around it has varied from time to time. The modern CSR started to develop after World War II but in the late 1970s, social responsibility was quietly left out of the political and business agenda. It was not until the mid-1990s that it showed any signs of return: social responsibility was brought back to business along with the environmental issues. (Gray, Owen & Adams 1996, 93.) The period from the 1970s to 1980s can be described as the period of ‘responsibility’ agenda whereas in the early

1990s prevailed an 'accountability' agenda and in the beginning of the 21st century a 'sustainability' agenda (*Company Environmental Reporting* 1994, 15). Zadek (2001, 73–74) distinguishes three generations in the phenomenon of corporate citizenship:

- **First Generation**: Can corporations be responsible in ways that do not detract from, and may add commercial value to, their business?
- **Second Generation**: Are more responsible companies likely to prosper in the future?
- **Third Generation**: Is corporate citizenship likely to make a significant contribution to addressing the growing levels of poverty, exclusion and environmental degradation?

Sustainability is based on the idea that current modes of behaviour are *un-sustainable*, threatening current and future ways of life (Gray et al. 1996, 61). The triple bottom line with the economic, environmental and social dimensions is currently the most widely accepted approach to define sustainability, even if there is the danger of thinking about the elements as separate (GRI Guidelines 2002, 9). The development towards sustainability can be described in stages (Figure 2).

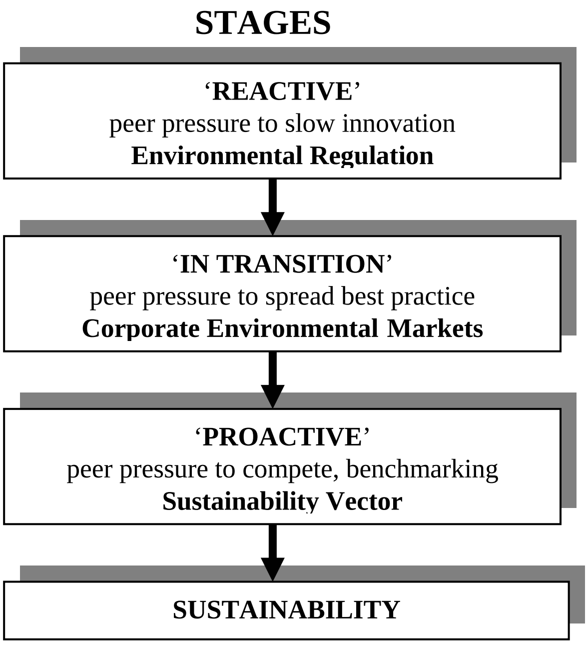

Figure 2: The development towards sustainability[1]

[1] Source: *Company Environmental Reporting* 1994, 17

It is often claimed that social responsibility, as defined by business, follows fashions (see e.g. Gray et al. 1996, 97–98): Even if CSR is crucial as a mechanism developing accountability and democracy in the society, companies treat it like a fashion statement. This is related to the fact that CSR is unregulated and voluntary. Yet, the developments in the EU policies, business initiatives, accounting profession and some companies have been contributing to CSR. Key trends having an influence on CSR can be listed as: expanding globalisation, new forms of global governance, higher standards of corporate governance, and global role of emerging economies. Also the rising visibility of and expectations for organisations, measurement of progress towards sustainable development, governments' and financial markets' interest in sustainability reporting, and emergence of next-generation accounting affect the development of CSR. (GRI Guidelines 2002, 1–3.) The effect of socially responsible investing and stakeholder thinking in general will be discussed in the following subchapter.

2.3 Socially responsible investing and stakeholder thinking

In recent years the rise of ethical or socially responsible investing (SRI) has been remarkable. The most visible form has been the ethical and environmental funds and trusts basing their investment portfolios on social criteria. SRI is rooted in the notion of individual responsibility, aiming at evolutionary change in society. Thus, it can be seen to have much in common with the consumer movement contributing to environmental awareness. (Gray et al. 1996, 240–246.)

Ethical, green and socially responsible investing are becoming more and more popular. In general, people are nowadays paying more attention to e.g. business ethics and environmental damage than before, which can also be seen in their investment decisions. But it is also argued that investors seem to care about social disclosure and social performance only as far as it affects financial performance and that investors care about the intrinsic ethical positions of organisations very little (see e.g. Gray, Bebbington & Walters 1993, 191). Some even see that the rise of ethical investment is largely created by financial journalists, who consider ethical investing an interesting, exotic and peculiar topic: journalists are claimed to be especially willing to accept that moral considerations can influence the markets. (Lewis 2002, 51–52.)

In general terms, ethical investors are those who endorse ethical motives (related to e.g. environmental and personnel policies, the Third World, relations with repressive regimes, involvement in armament, alcohol or tobacco production, animal testing, etc.) in investing. It matters to the ethical investor where the money comes from: the nature of the business is as important as the potential risk and return. Ethical investors do not differ in terms of their age or income but rather in terms of their value systems. As compared to ordinary investors, ethical investors are more likely to be occupied in health and educational professions. They are more often religious, active in pressure groups and supporting liberal and green political stances. However, 80% of ethical investors have 'morally-mixed' portfolios, and over 80% of them would not change to ordinary investments if ethical investments were performing 20% below. Almost half of them admit making financial sacrifices when investing in a socially responsible way but, in general, investors are loyal to the ethical investments they have. Those who endorse ethical motives enthusiastically are more prepared to take financial losses, disregarding the amount of their investment. (Lewis 2002, 78–79.) Persistence even if the investment was not profitable is possibly an indication of their moral commitment:

> "*influencing and being influenced by the process of ethical investing is important in itself; it may not be the winning but the taking part.*"
>
> (ibid. 129–130)

Ethical investors are not ashamed to admit that their choices are driven by the need of salving the conscious. They believe that by investing in a socially responsible way they are, for their part, contributing to a better world even if the effect is not immediate. The behaviour of ethical investors is reflecting wider social issues and contradictions, and there are three main ways that ethical and socially responsible investing can be influential without government intervention: through cultural change, avoidance (boycotting), and active engagement. (ibid. 103; 151–152.)

Purely profit-seeking investors are uninterested in CSR as far as it does not influence their financial position. Thus, it is necessary to distinguish those investors aiming at short-term, speculative profit from those practicing more responsible, long-term ownership. The latter group may have a significant role to play in corporate accountability and in the development of CSR. (Gray et al. 1996, 240.) In all, the importance of shareholders for business cannot be rejected. Investors, whether socially responsible or not, are not, however, the only group affecting business in general and corporate decision-making in particular. Shareholders are seen as parallel to other stakeholders in a stakeholder analysis. Business has traditionally been perceived as steered by shareholders and their interests but nowadays things are seen in a wider scale. Thus, closely related to the concept of CSR is stakeholder thinking. Defining the stakeholders of the company provides at the same time the answer to the question 'to whom the company is responsible'. The importance of each stakeholder group depends on the type of business in general and each company in particular. The stakeholder groups cannot always be ranked but it should be possible to identify differences among them. Stakeholder analysis is based on the view that even if the shareholders have an important role in the decision making of the company, their interest need not always overcome those of the other stakeholder groups: the interests of various groups should be weighed against each other along with corporate profitability.

Corporate stakeholders can be defined as those who are *affected by business decisions*: e.g. shareholders, employees, customers, managers, suppliers, the local community (Beauchamp & Bowie 2001, 48). A reciprocal dimension can be added to the definition by seeing the stakeholders as "*individuals and entities who may be affected by business, and who may, in turn, bring influence to bear upon it*" (Wheeler & Sillanpää 1997, X). The focus of stakeholder thinking has traditionally been on shareholders to whom all the other stakeholders have been treated as subordinate. But the importance of various stakeholder groups has currently caught more attention than before and the shareholder orientation is being supplemented by a stakeholder orientation. (Pruzan 2001, 278.) Wheeler and Sillanpää (1997, 167–168) define four groups of stakeholders based on the following dimensions: social vs. non-social, primary vs. secondary (Table 1).

Table 1: Four dimensions of stakeholder groups[2]

	Primary	***Secondary***
Social	Shareholders and investors, employees and managers, customers, local communities, suppliers and other business partners	Governments and regulators, civic institutions, social pressure groups, e.g. trade unions, media and academic commentators, trade bodies, competitors
Non-social	The natural environment, future generations, non-human species	Environmental pressure groups and animal welfare organisations

It has become common to include natural environment among the stakeholders. Nature is a legitimate stakeholder since it is heavily influenced by business activities. However, integrating the natural environment into the actual decision making processes is not simple. Nature cannot speak for itself so e.g. environmental organisations must speak on its behalf: NGOs, consumers, regulators, investors, etc. give a voice to nature. (Kallio 2001, 46.) Additionally, it is to be noticed that one stakeholder may be a member of several different stakeholder groups depending on the given situation. Therefore, it is necessary to distinct the 'general public', which can be seen as formed by all

[2] Source: Wheeler & Sillanpää 1997, 167–168

of the above mentioned stakeholder groups. It should be noted, too, that stakeholders can be local, national or even global.

Developing loyal, inclusive relationships not only with shareholders but also with other stakeholders as well will be among the most important factors affecting the business success of the company. The variety of the stakeholder groups sets challenges to corporate communication. Since different stakeholders vary in their capacities and interest levels for absorbing information, it is necessary to use different ways of communication to convey the message. Moreover, the company must not fail to communicate its commitment to improvement. That is the dimension all stakeholders value most. (Wheeler & Sillanpää 1997, IX; 179.)

2.4 Conclusions

The concept of corporate social responsibility is based on ethics in business and on stakeholder management. Acting ethically is largely determined by the corporate culture and its values. This comes down to the individuals acting in the name of the company and their moral perceptions.

CSR is generally perceived to comprise of three elements: economic, environmental and social responsibility. These elements are not separate but intertwined. Currently, the economic is often seen as means for the environmental and social dimensions. All the elements are faced with societal expectations, which can either be desired, expected or required: Companies are required to meet the legal regulations but in order to legitimise their business they need to meet the moral expectations as well. Philanthropic activities are desired of business and they often have a positive effect on how the company is perceived. However, the company has to consider what the viable options are and what is reasonable when striving for corporate social responsibility. This is largely determined by the cultural and the business climate in which the company acts, and especially by the various stakeholder groups and their expectations.

Corporate communication in general is based on stakeholder thinking, and CSR reporting is seen as constituting a part of it. In the next chapter, corporate communication will be discussed in relation to image building and reputation management. Also the motives for communicating CSR and the nature of corporate social responsibility reports will be addressed.

3 SOCIAL RESPONSIBILITY IN CORPORATE COMMUNICATION

3.1 Defining corporate communication

Corporate communication is usually seen as comprising of advertising and public relations but it is much more than that. van Riel (1995, 26) defines corporate communication as a managerial instrument that is used to harmonise all forms of internal and external communication as effectively and efficiently as possible. The aim of corporate communication is to develop favourable relationships with stakeholder groups, and it covers three main forms: marketing communication (e.g. advertising, personal selling), organisational communication (e.g. PR, corporate advertising), and management communication (company external and internal communication by managers) (ibid. 8–14). All these forms of corporate communication are used in executing corporate strategy, identifying corporate identity and building a corporate image (Vuokko 2003, 333).

The company has a duty to communicate, not only to the various stakeholders but to itself, too. Non-communication is negative communication, and impressions will be made in any case controlled or uncontrolled by the company. The broader duty to communicate is targeted at society. For a sophisticated company it is not to consider whether to communicate but to ask how, what, where, when, etc. to communicate. (Bernstein 1986, 8.) Corporate disclosure policy can either be reactive or proactive. If it is reactive, the company is not enough observing the environment and the in-coming impulses. Then it is typical of the company to take into account in the disclosure policy only the impulses based on compulsion. If the disclosure policy is proactive, the company observes the environment and the out-coming impulses anticipating and taking into account various impulses of compulsory and voluntary nature. (Tuominen 1991, 25.)

Corporate communication can be seen as a means of image building reinforcing and establishing values (rhetorical function). It can be a way of managing one's identity by managing the audience (identity–management function) or by acting in a political manner (political function). (Takala 1991, 38–39.) Four dimensions of measuring dialogue quality can be distinguished in terms of *inclusiveness* (who is included in the dialogue), *procedural* (the basis on which the dialogue is designed and implemented), *responsiveness* (the degree to which various parties respond to the dialogue), and *outcome* (what actually happens, who pays, who receives) (Zadek 2001, 198). These quality domains are interrelated and often contradictory. Communication satisfaction is determined by the expectations of an individual and the organisation itself, and it is associated with management style and communication contents including management information (e.g. facts about situation, plans and targets). This is related to the image of the company and the attitudes towards it. (Juholin 1999, 58–59.)

Corporate communication is nowadays seen as a managerial process. Marketing communication, for instance, does not comprise of managing the means only but particularly the activities related to the strategic decisions of the company and its marketing. This requires that the management is committed to the marketing communication of the organisation. (Vuokko 2003, 25.) Corporate communication in all is essential in managing the corporate identity and image, and it is related to the concepts of trust and information disclosure. This will be discussed in the following subchapter.

3.2 Corporate image reflected in information disclosure

Managing the corporate image covers all means by which the company attempts to build a desirable image of the organisation and its actions. It includes managing the corporate personality, identity, image and reputation. These should be reflected in the way the company discloses information.

Corporate image is the sum of all the views that a person, a community or a stakeholder group has on the company. It is a subjective idea of an object and it belongs to the target group, not to the target of the image. (Vuokko 2003, 103.) Identity, on the other hand, can be understood to mean the internal i.e. the employee’s view of the company (Davies, Chun, da Silva & Roper 2003, 61), the way the company sees itself. Identity is also associated with the way the company presents itself to the target groups, i.e. it is “*all the forms of expression that a company uses to offer insight into its nature*” (van Riel 1995, 27–28). It covers the conscious or unconscious messages sent by the company about its personality. Corporate personality reflects the organisational beliefs, values and aspirations (Haywood 1998, 26); it is the sum of the corporate characteristics (Vuokko 2003, 103). Reputation is a collective term that refers to all stakeholders’ views of corporate reputation, including identity and image (Davies et al. 2003, 61). Reputation is formed by the ideas of the company that have been developing among the target groups in the long run, which is why it is more difficult to change than the image. Thus, it could be argued that ‘identity’, or ‘personality’ for that matter, is actually what distinguishes the company from all the other companies. The relationship between the corporate personality, identity, image and reputation can be described as in Figure 3.

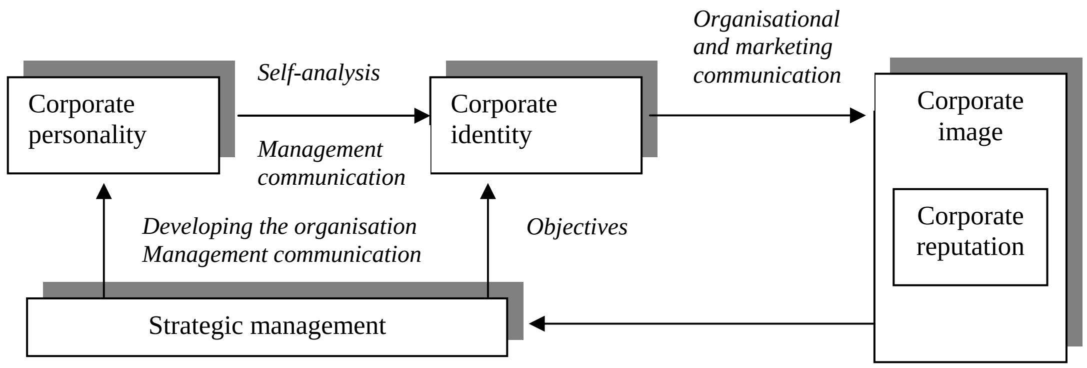

Figure 3: The relationship between corporate personality, identity, image and reputation[3]

In this study, *personality* is suggested to refer to the essence of the company, what it actually is. *Identity*, on the other hand, is the internal perception of the organisation within the organisation whereas *image* refers to the external perception of the organisation outside the organisation. *Reputation* is used to refer to the expressions made about the organisation.

Image is important because it affects what is talked, written or imagined about the organisation. Image affects the willingness to listen to and to support the organisation and to recommend it to others, to co-operate with it and to commit to the organisation. (Vuokko 2003, 106.) Positive image based on a strong corporate identity is effective in raising motivation among employees, inspiring confidence among the company’s external target groups, acknowledging the vital role of customers and financial target groups, and establishing a commercial relationship with target groups. But image is important not only to the image object, the company but also to the receiver, the subject. For the subject, image is a simplified tool for finding out the ‘truth’ about the object. (van Riel 1995, 76–77.) Corporate image is constructed by information, knowledge, experiences and perceptions of the receiver, which the company can directly affect by the means of PR. Also values, attitudes, prejudices, word-of-mouth, and beliefs contribute to the image but they cannot be directly affected. (Vuokko 2003, 111.) Actually, there are two ways to ad-

[3] Source: Vuokko 2003, 104

just the image: First, to change the object. Second, to adjust communication to the target groups and to try to change individual interpretations. (van Riel 1995, 79.) Neither of them is a simple task.

Identity management concentrates on the articulation and interpretation of vision, mission and corporate values. Important in identity management is how the stakeholders, not the company, perceive the quality of the corporate operations. A crucial element of the corporate identity building process is managerial communication. (Markkanen 1998, 57–77.) The signals given by the company about its nature largely determine the corporate reputation, and they can be concrete (e.g. colour of the logo, delivery time) or abstract (e.g. demonstrations of social responsibility by making donations) (van Riel 1995, 27). The self-presentation, i.e. any action or expression, of the company occurs in behaviour, communication, symbolism, or in personality. The first three form the corporate identity mix through which the personality of the company manifests itself. (Markkanen 1998, 32–33.) The corporate image is mostly affected by the target groups as they rationally and irrationally select the signals sent by the company. Thus, the challenge for corporate communication is to integrate all forms of communication into a coherent whole. *Corporate strategy–corporate identity–corporate image* form a triangle, which is to direct company's communications policies. A coherent communication policy contributes to the entire corporate performance since a positive reputation is a vital condition for the success of the company. (van Riel 1995, 19; 36.) Reputation cannot be bought nor it can be created by issuing statements about excellence – it has to be earned (Markkanen 1998, 51).

Kauhanen-Simanainen and Karivalo (2002) talk about 'corporate literacy', meaning how the company should be capable of interpreting the surrounding environment but also how the company is interpreted from the outside. The interpretations are based on the information provided by the organisation, and image marketing brings an emotional dimension to the interpretations. Corporate communication in general and the actual image marketing are not to be in a conflict with the facts and interpreters' experiences. Therefore it is necessary for the company to be aware of various interpretations the stakeholders have for facts, images and experiences. This requires a constant informational, communicational and public relations strategy. Communicating CSR depends largely on the credibility and trustworthiness of the message sending company. Trustworthiness refers to being faithful to certain expectations, and it is formed by two main elements: faithfulness implies predictability and consistency but trust does not automatically imply what is expected (Kaptein 1998, 32).

The trustworthiness of an organisation can be divided into economic and moral trustworthiness. Economic trustworthiness refers to "*the extent to which* *the corporation is able to realize the expectations with regards to, for example, the profit and revenues of the organization*" whereas moral trustworthiness refers to "*the question of whose interest the corporation pursues and how the corporation balances conflicting interests*" (ibid. 3–4). Both types of trustworthiness can be developed. The stakeholder can, first of all, trust his or her own knowledge, experience, abilities and skills. Second, the stakeholder can support his or her own estimations by the social mechanisms (the market, legislation, public opinion) contributing to the desired corporate conduct and effects. Third, the stakeholder can base his or her trust on the capabilities and efforts of the company if the social mechanisms do not provide sufficient certainty. (ibid. 34–36.)

Trust requires that the company does not only reveal a selection of relevant information but also the information that might be harmful to it. However, not all corporate information is public. What should be disclosed, then, and to whom? The company has the moral obligation to disclose appropriate information to its stakeholders, and what to disclose depends on each group (see e.g. De George 1999, 309–313). It is not obvious how liberal and open the corporate disclosure policy should be. A policy of full and open disclosure has been supported but there is always the danger of overexposure: the increased amount of information disclosed in the report does not necessarily imply improved communication. (Parker 1986, 40.) Silencing as well as conscious misstatements, concealing relevant facts, distortion of data, using annual reports or press releases for PR purposes, etc. are means by which business managers seek to affect other people's opinions (see. e.g. Carr 2001, 502) but, in the end, manipulation is an effective way of losing trust. Moreover, not all corporate information is public. Corporate external literacy is also a risk and even transparency must have limits: The company must pay attention to confidentiality but not to hide behind it. (Kauhanen-Simanainen & Karivalo 2002, 66.)

Ethical communication is especially important when informing stakeholders on CSR related matters. It may occasionally be difficult to draw the line between telling the truth, bluffing and actually lying. In the end, it is the stakeholders who decide where the line exists. What is crucial to the company is to know what the stakeholders expect. Following the law or even the generally acknowledged moral of the business is not sufficient if such behaviour is not approved by certain stakeholders. Losing their trust can seriously damage the business. Stakeholders and their expectations are the main reason for companies to communicate CSR but there are also other motives for the commitment to a strategy and reporting, as discussed in the following subchapter.

3.3 Commitment to a strategy and reporting

Motives to communicate CSR on a more or less voluntary basis are often regarded questionable. Some believe that any organisation will undertake disclosure if it will enhance its corporate goals. Such goals are generally assumed to be dominated by economic criteria and profit making, and so the desirability of CSR is estimated by how it contributes to that goal. (Gray et al. 1996, 66.) But doing good does not guarantee financial success nor does less-than-ethical behaviour guarantee a financial disaster (Zadek 2001, 54.)

Motives for voluntary disclosure are unlikely to be simple but disclosure depends principally upon the corporate culture (Gray et al. 1993, 209). Ethical principles and practices in business stem from the values expressed, shared and implemented by the managers. The values and practices are absorbed to the corporate culture and further developed into codes of conduct, programs and training, etc., which allows the company to maintain trusting relationships with stakeholders, to be competitive and responsible. (Weiss 1998, 269.) At least some companies develop positive and imaginative ethical codes because they believe in doing the right thing. But there are also those pragmatic companies considering what they are going to have to do in any case and then carry out the legal or social minimum. (Haywood 1998, 48–49.)

Business practice, consumer attitudes and employee concerns are influenced by opinions among the public, the media and politics. Actual facts do not necessarily have noticeable direct effect on companies but opinions immediately affect the organisations, ultimately leading to regulation and influencing the institutional framework (Gray et al. 1993, 29). It may sometimes be the market that is the most effective vehicle to initiate social transformation (Lavoi & Chamlee-Wright 2002, 126.) As a result, managers feel the need to legitimate their business in regard to stakeholder groups. The only way they can do it is to indicate that CSR is in relation to the pursuit of profit. In other words, actions aiming at profit making may be explained in terms of social responsibility whereas social responsibility is justified in terms of profit-making. (Takala 1991, 136–137.) Yet, the benefits (e.g. a higher corporate image) are difficult to calculate in monetary terms, and they are often realised during a long period.

The company wins a good reputation when it is well regarded by the public. Ethical policy can thus be used to develop strategies that improve competitiveness. (Haywood 1998, 31–33.) Most of the voluntary reporting is even said to be contributing more to advertising, PR and image construction purposes than to information, accountability and transparency: Companies report voluntarily to develop a corporate image, to legitimise current activity, to distract attention from other areas and to forestall legislation. (Gray et al. 1993, 257.)

Publicity due to increased media attention is a considerable factor. The media are one of the most important stakeholders effectively shaping public perceptions, and the extensive pressure on companies has made voluntary actions less voluntary. But the desire to ensure responsibility of the actions may also be corporate internal. At its best, CSR reporting can be a critical management tool for measuring and reporting both past and anticipated performance, leading to a continual dialogue with stakeholders. Reporting strengthens the 'licence to operate', reduces volatility and uncertainty in share price and possibly lowers the cost of capital. (GRI Guidelines 2002, 3–4.) Further motives for (non-)disclosure are presented in Table 2.

Table 2: Reasons for voluntary disclosure or non-disclosure[4]

Reasons for voluntary disclosure	***Reasons for non-disclosure***
• If not done voluntarily it will become mandatory • To legitimise current activities • To distract attention from other areas • To develop corporate image • To build up expertise in advance of regulation • Positive impact on share price • Reduction in perceived company and information risk • Political benefits • Competitive advantage • Shareholder's and other stakeholders' right to know • To explain expenditure patterns • To tell people what the company has done/achieved • Forestall disclosure by other parties	• Obverse of the reasons for disclosure • No need/motivation to do so • Wait and see • Cost • Data availability (and related costs) • Secrecy • Absence of demand for the information • Absence of a legal requirement • Never thought about it • Prioritising areas for disclosure

Although the interest in CSR is growing among companies, differences across sectors, geographic locations, types and sizes of company are significant. CSR has been used to manage reputational risks, and the actions taken have often been reactive. However, many companies have followed the example of those who have been targeted e.g. in media campaigns and have started to act proactively. Such a development is positive if it actually leads to improving performance. But if companies rush to appear good, there is the danger of forgetting the purpose of reporting. Sustainability is not simply making corporate activities transparent but it is about adjusting what the company

4 Source: Gray et al. 1993, 211

does. Reporting should be a visible part of it. (Starovic 2002, 12.) It has not been generally agreed on what, how and to whom companies should report when communicating CSR but it clearly seems to be a management related issue. Managing CSR covers not only effective communication but also e.g. realistic objectives, ethical decision-making, codes of conduct, ethics programs, training and auditing (Carroll 1996, 166).

Commitment to a CSR strategy is a gradual process. Self-assessment is required in order to define the corporate values, after which it is possible to compile the corporate principles. A list of values and principles does not, however, reveal anything about the actual ethical state of the company and its everyday activities, so its informational value is low. It is after the company has carried out reviews, assessed its position and the feasibility of its aims, it can consider publishing a statement knowing that the policy is practicable and the statement a long-lived document. (Gray et al. 1993, 60.) The CSR report itself should not be an aim as such but it should rather be seen as a tool for a constant dialogue with the stakeholders (*Company Environmental Reporting* 1994, 21). For the report to be considered as credible, some sort of independent auditing is generally required. Social auditing should be an integral part of the continuous strategic management in order to improve corporate social performance and the credibility of business among the public (Carroll 1996, 650). Auditing performed by a company external auditor is, in fact, the best possible way of providing stakeholders with accurate and reliable information. But even the widely acknowledged systems are incapable of revealing anything about the underlying motives and commitment.

CSR reporting is still at the earliest stages and the development of a fully integrated sustainability assessment and reporting will continue. In the following subchapter, the characteristics of ideal and typical CSR reports will be discussed. The purpose is to describe what kinds of changes are needed in future to make CSR reporting effective and contributing to transparency.

3.4 Characteristics of social responsibility reports

CSR reporting refers to extending the company's traditional role of providing a financial account to the shareholders. It can be defined as "*the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large*" (Gray et al. 1996, 3). The aim of CSR reporting is to present a comprehensive picture of the interactions between the organisation and its external environment (ibid. 101).

CSR reports can be analysed based on who produces the report (self-accounts or public interest audits), at whom it is targeted (company internal or external reports), what is the scope of the report (limited or full description), and in which form it is presented (one- or multidimensional, input or output orientation) (Dierkes et al. 2002, 4–5.) The report producer occupies a key position in the social network and may be influenced by internal (superiors, colleagues, etc.) or external (authorities, readers, etc.) power sources. The report may aim at changing the stakeholders' perceptions of the event (but without changing the organisation's actual performance), distracting attention away from the issue of concern (concentrating on some positive activity) or changing external expectations about corporate performance. (Parker 1986, 3.) In this study, CSR reporting is generally considered to be produced by the company, targeted at a heterogeneous group of stakeholders and aiming at giving a comprehensive picture of corporate activities.

The CSR report is designed to communicate messages from the management to the report receivers, who interpret the messages and respond in different ways (e.g. by investing in the company, pressing for care of the environment). The responses (should) affect those who work out the next report. However, the report may fail to communicate: readers dislike the report's style, format and content, they are not interested or in the need of the report, the report represents remarkably different social and economic values, etc. Identifying these factors helps to understand the assumptions of the audience, which again enables the producer to construct reports that are accurately perceived by the readers. (ibid. 29–32.) After all, the main purpose of CSR reporting is to respond to user information needs. But various stakeholder groups may have differentiating interests. Two types of target audiences can be described: those who go through all the information in detail (e.g. main financiers, tax authorities) and those whose interest in the company is not as detailed (e.g. minority owners, employees). The reports are primarily written for the first group but they also serve for PR purposes with respect to the second group. It is the whole report and its macrostructure that give the reader an image of the company, and therefore more attention should be paid to the readability of the report. (Koskela & Pilke 2002, 105–107.) The audience should feel informed as well as be informed, and the report should always include fresh news (Parker 1986, 62). Also the visual impact may be critical in attracting the attention of the audience.

Non-financial reporting, both as part of the annual report and in the form of special reports, is increasing. The focus has shifted from simple statements of intent to full statements of policy, moving towards reporting on performance and achievement.(Gray et al. 1996, 218.) However, there are flaws in voluntary corporate reporting:

- The proportion of companies disclosing and the extent of that disclosure is small and the quality (data verifiability and specificity) is low.
- There is some variety in disclosure over time, between countries and between industries, reflecting the changing business climate and the social, economic and political environment.
- Larger companies are more likely to disclose than smaller companies.
- Very little disclosure qualifies as information (little numeric information) and the emphasis is on PR rather than on transparency.

(Gray et al. 1993, 206)

It is generally agreed that there remains a lot to develop and improve in reporting CSR. Current CSR reports are criticised for being documents which contain brief and partial information. It is not analytically stated in the reports what sustainability means to the company. Further, the growing amount of CSR reporting has given the false impression of remarkable progress. (Gray 2001.) Despite the criticism, CSR reporting is an important tool of corporate communication but it is to be complemented by other tools and practices (e.g. codes of conduct, standards, management systems) (GRI Guidelines 2002, 12). CSR can be effective only if it covers all stakeholders of the company, brings about changes in corporate governance and is rewarded by financial markets. Further, it is to be defined in relation to the goals of social and economic sustainability and to be benchmarked and audited. It should be open to public scrutiny and to cover the organisation horizontally and vertically. (Frankental 2001.)

Reporting is seen as the primary indicator of corporate openness and proactiveness. The problem is that not all companies are reporting and that there are serious gaps in the reports. Reports often concentrate on more positive or less important issues even if they should focus on the total effects of the company. (Gray 2001.) One possibility of ensuring the uniformity of corporate social reporting is the voluntary or mandatory adherence to certain norms and forms. Reporting on CSR is currently on voluntary basis and it has been argued whether legal responsibility to report on CSR could be a solution to improve the commitment of companies. Legal requirements do not necessarily, however, meet the needs of all stakeholders. Voluntary, freely formed reports may seen to be a more suitable source of information (see e.g. *Company Environmental Reporting* 1994, 21). However, it is feared that voluntary reporting will be dependent on the influence of certain stakeholder groups, the social, political and economic climate, and the self-interest of the company. Mandatory reporting on CSR could turn social reporting into more than mere PR exercise but the reports would not be effective unless they were verified. (see e.g. Gray et al. 1996.)

The need for credible, appropriate and independently verifiable information on the financial, social and environmental performance of companies is generally acknowledged. Especially national regulatory bodies demand more and more financial information on governance and liability. Also consumers and employees are increasingly pressurising business and industry to behave in a responsible way. (Wheeler & Sillanpää 1997, 342.) Thus, legislation is not the only factor affecting corporate reporting practices. Also information needs of the corporate participants, mass media and internationalisation of companies affect corporate reporting practices. (Tuominen 1981, 1.) But some if not most companies are actively in the opposition of restrictive legislation. The most obvious reasons for the opposition are that legislation may increase costs and thus affect the profitability, and it is generally considered to be an ineffective tool to conduct social and environmental changes. On the other hand, the leading companies in CSR are likely to be in favour of statutory regulations. They have often been charged with misconduct, which has already initiated a costly change in their practices. (Zadek 2001, 93–96.)

There are several problems facing the company when preparing the CSR report: the problems of quantifying, limiting, measuring, and evaluating. It is difficult to find operational definitions and practical indicators, suitable methods and information techniques. Finally, comparing data may turn out to be impossible. (Dierkes et al. 2002, 9–10.) A helpful tool in communicating CSR may be the codes of conduct, presented in a concrete written form. Codes as guides to moral conduct or as guarantees for pursuing the public interest are inadequate but there are advantages in developing them. Despite being of voluntary nature, they fulfil several communicative functions. Internally, a code increases awareness of the moral aspects of activities (*orientation function*), clarifies responsibilities (*explanatory function*), imposes the minimum of expectations applying to everyone (*committing function*), creates norms within which the employees expect each other to act (*correcting function*). Externally, a code increases the recognisability of the company for the stakeholders (*distinguishing factor*), legitimises the existence of the company and the participation of the stakeholders (*legitimising function*), and creates norms within which the stakeholders expect the company to act (*correcting function*). (Kaptein 1998, 170.)

Yet, codes of conduct, voluntary reporting, auditing, etc. have not managed to convince everyone (see e.g. Hurst & Arnesen 2000, O'Rourke 2002). The increasing number of standards and codes is seen to stanch growth in the number of social reports since many companies rather hold back than press ahead. Auditing is accused of having severe flaws and being unreliable due to poorly trained auditors and flawed audit protocols. Auditing and verification are not yet current issues for many companies and consensus has not been reached about who should be conducting them. Even the content of the auditing and verification remains unclear: is it the process of improvement or the performance weighted against the standard? It has been discussed who should cover the costs, where the standard of performance is to be set and how it is to affect the business relationships.

But does a socially responsible agenda generate profits or do successful companies follow a social agenda because they can afford to? Both causal directions are possible. But more important is that a socially responsible agenda does not have to jeopardise the company – it may even help the company to succeed. (Lavoi & Chamlee-Wright 2002, 113.) It is not, however, possible to measure the impacts of the applied codes and standards on corporate reputation in absolute terms. Consequently, it remains an important strategic decision for the company whether to invest in costly codes and standards or to communicate CSR by less expensive means.

3.5 Conclusions

Reporting corporate social responsibility is a part of corporate communication and thus a managerial process. It is generally perceived to be essential in managing the corporate identity and image – the concepts that have been discussed in more detail in this chapter.

Whether to disclose corporate information and to what extent depends on the expectations of the stakeholders on the other hand and the openness of the company on the other. Motives to communicate CSR on a more or less voluntary basis are various and often regarded as questionable. The commitment to a CSR strategy and reporting is, in any case, a gradual process that takes time. It is also dependent on the ethical climate and culture within the company. At its best, the CSR report is targeted at the receivers and it aims at giving a comprehensive picture of corporate activities. Ideally, the report is relevant, free from bias and understandable. The information given in the report should be comparable not only with the corporate performance in the past but also with other companies operating in the same field. The main purpose of CSR reporting is to respond to user information needs. However, the quality of the reports produced varies, which has lead to discussion on whether reporting should be on voluntary or mandatory basis. Currently, several voluntary initiatives, codes and standards aim at improving the quality of CSR management and reporting.

The next chapter focuses on reporting practice in retailing. Corporate social responsibility in retail companies will be discussed as well as the contents and structures of four selected CSR reports.

4 REPORTING PRACTICE IN RETAIL COMPANIES

4.1 Corporate social responsibility in retailing

Retailing is one of the largest industries in the world whether measured in the number of establishments or employees (Storebrand 2003, 1). From all industries, retailing is perhaps the most apparent for consumers since it is closely related to everyday activities. The business is facing fierce competition and, therefore, retail companies are forced to strive for competitive advantage by ways of differentiating – including corporate social responsibility.

It was only twenty years ago that environmental impacts were considered to be of little concern in retailing: the representatives had no manufacturing and they claimed to have no influence over their suppliers. Since then there has been a radical change. Especially the introduction of several laws and regulations, environmental reporting, consumer requirements and increased competition have made retailers to recognise the importance of ascribing responsibility. Also NGOs and labour unions, the media, as well as information technology and socially responsible investments have contributed to the industry recognising at least partial responsibility. (Storebrand 2003, 2.) Philanthropic or altruistic reasons have not been identified as affecting factors. Yet, examples of CSR activities within retailing include making donations to charitable organisations, exceeding legislative requirements for social and environmental concerns and implementing green purchasing and supply politics. However, retailers have tended to focus mostly on environmental concerns since positioning the company as socially responsible raises customer expectations and opens the company to a potentially unmanageable criticism. Some of the larger retailers have been the first to take an early and proactive response to environmental issues, targeting at enhancing image and goodwill at a relatively low cost. The pioneers have been followed by other retailers, and so has good environmental performance become an industry standard and a competitive factor as important as price and delivery. (Piacentini, MacFadyen & Eadie 2000, 459–461.) Retailers are burdened with several environmental and social impacts in their operations, as presented in Table 3.

Table 3: Environmental and social impacts in retailing[5]

Environmental impacts
Sourcing and manufacture: global and local sourcing, pollution, sustainability of resources.
Products: recycling, packaging, labelling, customer information, end of life issues, energy efficiency of products, product specific issues such as PVC, etc.
Operations and processes: distribution and transport, location and design of stores, energy use, emissions, waste management, role of e-commerce, etc.
Employee and customer training, awareness and information.
Social impacts
Sourcing and manufacture: child / bonded / slave / prison labour, working conditions, health and safety, fair wages, home working, freedom of association, living conditions in dormitories, transparency and accountability, supply chain auditing and management, and supplier relationships.
Products: quality, safety and fair trade.
Employees and customers: disability, race and culture, gender and sexuality, age, work-life balance, payroll giving, health and safety, training, awareness and information.
Communities: relationships with the local community and the corporate community, support for charities, stakeholder dialogue.

Retailers have been pressurised by NGOs and trade unions for not acting proactively in corporate social responsibility issues, and with supply chain related labour practices especially (Storebrand 2003, 5). On the other hand, healthy eating and increased exercise initiatives, better provision of food stuff in deprived areas and confectionery merchandising in particular can be mentioned as illustrating the company's sense of social responsibility. Not all retailers, however, have adopted approaches and activities of being socially responsible. (Piacentini et al. 2000, 462.) Retail industry statistics show that 12% of 86 retail companies world-wide publish an environmental report and 23% a CSR report. Thus, it seems that strictly environmental reports are turning to CSR reports. Further, 64% of retailers publish CSR related information on the Internet. (Storebrand 2003, 8.)

Retail companies have been analysed by Storebrand using environmental and social responsibility indicators and, according to the analysis, there are no remarkable differences among the leading retailers with regards to their sustainability. However, the Finnish Kesko has turned out to be the most sustainable retailer. It has performed excellently on environmental matters by making core retail operations (transportation of goods, logistics and store management) sustainable. Kesko's social performance is one of the best within the industry in ethical trading, employee welfare and training, commu-

5 Source: Kingfisher 2001 according to Storebrand 2003, 2–5

nity involvement and management quality. (Storebrand 2003, 2.) In Figure 4, the Storebrand social and environmental ratings of the companies discussed in this study are presented.

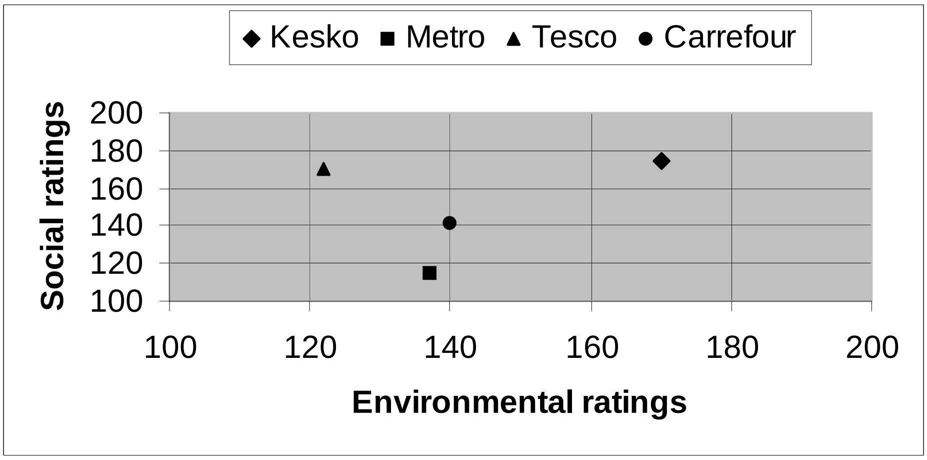

Figure 4: Storebrand's social and environmental ratings[6]

The following subchapters focus on analysing a selection of CSR reports produced by the internationally operating retail companies Carrefour, Kesko, Metro and Tesco. In the analysis, attention is first paid to the report structure and appearance. Then the corporate values, practices and perceptions of corporate social responsibility as reflected in the reports are discussed. Finally, the analysis addresses the ways the stakeholders are reflected in communication.

4.2 Report structure and appearance

Report structure and appearance include the structure and informational value as well as the readability and visual impacts of the reports. Also the ways the reports seek to create credibility through norms and forms is discussed.

Basically, all the reports analysed in this study follow a similar kind of *structure* and their appearance resembles that of annual reports. The overall length of the reports varies: Carrefour has the longest (57 pages) and Tesco the shortest report (34 pages). Kesko (55 pages) and Tesco (45 pages) place in the middle. All of the reports have a table of contents and a preface. Values, principles, and/or strategies are discussed in all reports to some extent. Issues related to general CSR management are handled in every report except in that of

[6] Source: Storebrand 2003, 1

Metro. The order of approaching the different elements of CSR varies. Usually economic aspects are discussed first followed by environmental and social aspects. Interestingly, in Carrefour's report economic and social responsibility are combined under the same chapter whereas all the other reports handle these as interrelated but separate. Of special interest are the following items in Kesko's report: the chapters of stakeholder analysis and social quality control of suppliers, a comparison with the GRI Guidelines, a list of terminology, and an assurance statement. These cannot be found in other reports.

The reports differ remarkably in regard to their *informational value*. For instance, Kesko has the widest comparisons of various internal CSR indicators from the past three years. The amount of previously released reports reflects in the ability to make comparisons and in the corporate internal improvement of performance. The other companies are beginners in CSR reporting but likely to move towards more coherent and covering reporting practices and indicators. This is due to the current situation characterised by the lack of accurate and sufficient company specific data. For the time being, none of the companies is capable of providing operating country specific data except for their home country or making comparisons between their own activities and within the industry in general. Generally, the accuracy of numeric data is vague.

The informational value of the reports is affected by the corporate statements given in the reports. However, there are grounds for questioning the trustworthiness of the reports: some of the statements given are vague and not verified in a credible manner. This is often due to the fact that the companies report on their activities on a very general level stating their principles rather than giving detailed information. For instance, Carrefour has chosen to describe its policies rather than to report on concrete actions. There are few concrete examples of what the company has done and what has been the outcome. There are, however, ways of putting the activities on a more concrete level. Clear numeric targets help the reader to understand what the company strives for and how it has succeeded. Also assurance statements, references to widely known organisations and rewards contribute to the informational value and the overall credibility of the report.

The themes approached in the reports affect the perception of corporate openness. Kesko's report seems to provide the most open and sincere information because it handles such issues as personnel job satisfaction and absenteeism, average annual salary, legal disputes, etc. These are not reported by the other companies. Further, one of the aspects to be most appreciated in CSR reporting is probably the capability of the company to look at not only the actions but also the reporting in a critical way. This contributes to the internal improvements but also convinces the reader that the report is not only about PR and marketing. Of the reports analysed here, Kesko has taken the longest step towards self-reflection. The report shows that Kesko is proceeding in a consistent manner.

One aspect of looking at the reports is the use of company internal voices on the one hand and company external voices on the other. First, it has the potential of showing how the company is integrated into society and second, how hierarchical the organisation is, i.e. are the employees being heard. Usually the reports include both corporate internal and external voices. All the internal voices represent managers or experts in the company, there are no shop assistants, for instance, to be heard. The external voices include representatives of trade union, government, organisations and associations, suppliers, university, hospital. The citations, comments and interviews may offer some indications on how inward or outward oriented each of the company is. Carrefour has most internal (19 comments) and external (24 comments) voices whereas there are least internal voices in Tesco's report (3 comments) and least external voices in Kesko's report (1 assurance statement).

The ways of putting oneself in the position of the reader and contributing to the overall *readability* of the report vary. Ways of destroying the attractiveness of the report include providing long textual paragraphs (esp. Kesko), embedding numeric data in the text instead of using tables and figures (esp. Tesco), repeating the same information over and over again (esp. Tesco), or using a variety of fonts (esp. Carrefour). However, tables, figures and maps may be facilitating the reception of the message, and comments, citations and personnel presentations make the report interesting. Further, the results of economic, environmental and social performance can be summarised in the beginning of each section (cf. Kesko), which contributes to the readability, serving especially those who leaf through the report. Information boxes as well as case studies are practical (cf. Tesco). Describing the CSR activities along with the corporate principles (cf. Metro) is a good idea to show how these should go hand in hand.

The *visual impact* of the reports is created by the use images, colours and layout. Thematic colours can be used to facilitate the reading. Carrefour's and Tesco's reports are colourful and remind from an advertisement. Metro and Kesko use a more simple formula and harmonious colours. The front pages of all the reports are surprisingly similar containing a logo of the company, several small pictures with products and /or people. The general report layout has most similarities between Kesko and Metro: their reports are more like narratives following the traditional form of annual reports. Tesco is moving towards Carrefour-like scattered short textual clips. The reports include a varying number of pictures: Carrefour (77 pictures), Tesco (71) and Metro (70) have the largest amounts of photographs in their reports whereas Kesko has only 22 mainly large photographs. The size of pictures varies a lot but, in general, it is typical to use extra small or small pictures in the reports. Most of the pictures present human beings, and it seems that especially charity occasions are usually related to people in the images. The most common themes in pictures are retail operations, managerial and employee level personnel, and products. The amount of pictures having the main focus on natural environment is surprisingly low considering that the companies are reporting on are environmental issues. Kesko's report includes the highest amount of tables and figures whereas Carrefour has other types of illustrations most.

The ways in which the reports seek to establish trust and credibility through *norms and forms* varies. Two of the reports (Kesko and Metro) follow GRI Guidelines but only one report (Kesko) is assured by an external assurance provider. The companies seek to create credibility by referring to widely known organisations in their reports, such as UN, ILO, Fair Trade, etc. However, the activities of the companies with the organisations or their standards are rarely described in detail. Additionally, many local rewards received by the companies are typically mentioned in the reports but, in general, companies are seem to be careful in highlighting the recognition they have received. Rather, it is typical to spread this kind of information all over the report.

The contents of the reports are further discussed in the following subchapter, which focuses on how the companies have identified and presented their values, what aspects the values include and how they are reflected in the business practice. Also the company-specific perceptions of corporate social responsibility as presented in the reports are discussed.

4.3 Corporate values, practices and perceptions

Corporate values as described in the reports differ in how abstract or concrete they are. Abstract values include such as trust, freedom, respect, integrity. More concrete values comprise of progress, market position, as well as striving to do the very best and creating a good working community. Also meeting customer expectations is often mentioned. The ways the corporate values have been identified and pursued in practice are narrowly discussed. Value identification is usually said to be based on questionnaires but also group discussions are mentioned. There are often departments or committees assigned to be responsible for the implementation. Management systems, indicators, principles, strategies, etc. are said to guide the corporate activities. More concrete means are named as conferences, manuals, newspapers, films, etc.

On the basis of the reports, it seems that systems and their implementation are a managerial level task. Employees do not appear to be crucial in the process of value identification. Yet, the most important reason for having values stated is the personnel: values are meant to attract and mobilise employees. Further, values contribute to communities, they affect competitiveness and help to minimise (environmental) impacts. The target groups of the values are identified mainly as employees, customers and communities. Also e.g. environment, economy and society are mentioned. The corporate values, motives and philosophy of the companies are presented in Table 4.

Table 4: Corporate values, motives and philosophy

	Carrefour	***Kesko***
Values	*Explicit*: Freedom, Responsibility, Sharing, Respect, Integrity, Solidarity, Progress.	*Explicit*: 'We bear our corporate responsibility', 'We create a good working community', 'We are the best operator in trading sector', 'We exceed our customers' expectations'.
Motives	To create value by meeting stakeholder needs, mobilising employees, using resources efficiently, making innovations, anticipating risks, participating in community activities.	To attract employees; a competitive factor rivalling price, guidance in planning and acting.
Philosophy	'Economics must be profitable and fair'	'Building for a better tomorrow'
	Metro	***Tesco***
Values	*Implicit*: Strong market position, To meet customer expectations, Openness, Respect, Trust, Networking, Partnership.	*Explicit*: To meet customer expectations, To do the very best, To give support, To enjoy work, Knowledge-sharing, Trust, Respect
Motives	To minimise impacts, to receive customers' lifetime loyalty.	To define CSR to communities, to create culture for result making, to attract employees, to minimise environmental impacts.
Philosophy	Step by step	'Every little helps'

There are remarkable differences in the way the corporate values are defined and presented in the reports. Carrefour's report includes an explicit list of the corporate values but there is no description of the process leading to establishing the values. Kesko appears to be the most advanced in defining the values and revising them. The company shows the capability of systematically processing the values from the employee level to corporate activities, and the values are seen as forming the basis for the corporate mission, goals and strategy, and corporate vision. In Metro's report, there is no explicit definition or presentation of the corporate values. Tesco provides a list of so-called values but it could be argued that these are more like acting principles. There is a short description of how they are handled in the managerial processes. After all, a thorough processing of the corporate values into a clear form constitutes the basis for communicating the values and acting according to them. It is also a prerequisite for the corporate perception of corporate social responsibility in general. As well as the way of defining corporate values in the reports varies, so does the presentation of CSR perceptions. CSR is often seen as an effective way of creating economic value. It is related to marketing and communication, and seen as a of the daily work. In general, the companies seem to believe in their capability of shaping the markets, politics and society. The CSR perceptions of each of the company are summarised in Table 5.

Table 5: Perceptions of corporate social responsibility

	Carrefour	***Kesko***
CSR includes	Taking into account the impacts of operations on people and nature in policies and practices. Economic and social contribution to stakeholders. Three priorities: quality and safety, respect for the environment, social responsibility.	Economic, environmental, social responsibility. Product safety, compliance with regulations, privacy protection, political relations, bribery, developing trading sector, contributing to the well-fare of society by tax paying.
CSR practice aims at	Creating economic value by reducing operation costs by limiting the use of resources, listening to different audiences and meeting their needs, mobilising employees, forcing innovations, improving corporate reputation.	Improving the image and profitability, reducing risks, benefiting economy and society.
	Metro	***Tesco***
CSR includes	The active work for the prosperity of economy and society.	Being a responsible company and a good employer, meeting stakeholders’ expectations, making a positive contribution to local communities, minimising environmental impacts, delivering good quality products at right price.
CSR practice aims at	Shaping the markets, politics and society among other retailers.	Earning customers’ trust and loyalty, improving the financial performance by managing risks.

Yet, the companies seem to be careful in communicating CSR related issues. They need to balance between describing the activities truthfully and regarding the corporate image. All of the reports either implicitly or explicitly include economic, environmental and social responsibilities to CSR. The content of ‘responsibility’ is not usually discussed in detail but it is rather taken for granted. CSR is put into action by e.g. adapting the corporate actions to the cultural, economic and social context of each operation country by building lasting relationships with stakeholders and by being in a constant dialogue with them. CSR is seen both as business principles and as everyday activities, and it is believed to be beneficial for business and society – they are not contradictory: CSR creates economic value and affects financial performance by improving image and profits, reducing risks and operation costs, limiting the use of resources. It helps to earn the trust of customers, to attract employees and even to shape the markets, politics and society. In all, CSR is seen in a very positive light.

In the following subchapter, the perceptions of economic, environmental and social responsibility in particular are presented as described in the reports.

4.4 Perceptions of economic, environmental and social responsibility

In the reports, *economic responsibility* (Table 6) is seen in actual figures of net sales, profit, number of stores and employees. It includes employing personnel and paying their salaries, offering consumers access to services, engaging in responsible / fair trade and being committed to suppliers. Some even see their economic role as defending consumer buying power, informing customers and revitalising local economy. Also paying taxes and invoices in time and granting financial support for NGOs are seen as a part of it. A strong financial position is perceived to enable the pursuit of environmental and social responsibility, which again affects economic performance. Economic responsibility aims at satisfying customers, motivating employees, respecting suppliers, securing profitable growth for shareholders and being involved in local communities. In practical work, it is reflected in product selection and price level, profit generating and share price, information quality and transparency, number of employees and stores, distribution efficiency, and waste reduction. The main targets of economic responsibility are named as employees, suppliers and shareholders.

Table 6: Perceptions of economic responsibility

Carrefour
• Providing accurate information and service in sales for customers • Responsible and fair trade, commitment charter to suppliers • Revitalising the local economy for service providers • Employment assistance and community social role (i.e. tax payer's role) • Social responsibility, development, safety and career mobility for work force • Return on investment, growth and development for shareholders, banks and financial sector
Kesko
• Shareholders • Investments and store network • Job development • Salaries, social security expenses and taxes • Employee pension and health insurance systems • Suppliers of goods and services • Financial support for organisations working for the good of society
Metro
• Total sales and sales per store type • Profit, investments • Number of stores and employees
Tesco
• Fair trade • Suppliers • Job creation

Environmental responsibility (Table 7) is perceived to include the use of natural resources and the emissions produced due to real estates, construction and logistics. Waste reduction is the aim for all the companies and it includes e.g. purchasing, using and sorting package material. The companies believe they can take a stand by their actions in issues related to agricultural practices, GMOs, animal breeding, organic food, biodiversity and animal welfare. They are also concerned about climate change and green house effects, landscape changes and soil pollution. The companies contribute to environmental issues by stating philosophies, following regulations, training employees and educating customers, labelling products, managing risks and incorporating new technologies, co-operating with suppliers and communicating actively. They aim at improvements benefiting both the company and the environment by following environmental procedures and making sustainable choices in every day activities. There are environmental management systems, corporate philosophies and standards and, on a more concrete level, handbooks, training, conferences, etc. The main target groups in the environmental issues are employees, suppliers and customers. All of the companies say to be aiming at improvements benefiting both the company and the environment.

Table 7: Perceptions of environmental responsibility

Carrefour
• Reduction of the greenhouse effect • Protection of natural resources • Waste reduction and management • Preserving water quality and availability • Preserving bio-diversity
Kesko
• Eco-efficiency in construction • Environmental risks of land use, energy and water consumption, environmental profile of energy • Transport, transport emissions, carbon dioxide balance • Use of materials, waste management and recycling, development in product trade • K-environmental stores • Stakeholder co-operation and communications • Environmental risks, damage and accidents
Metro
• Logistics • Packaging • Transparency • Use of resources and real estate management • Environmental philosophy
Tesco
• To comply with environmental laws and regulations • To assess and monitor the environmental impact, and to set targets • To ensure compliance with the Tesco policy by senior management • To incorporate the best available and economically achievable technology • To minimise the use of materials and energy • To reduce, reuse and recycle products and packages • To communicate regularly with stakeholders • To report on environmental performance through the web site

Social responsibility activities (Table 8) are said to be based on ethical principles, standards, risk management and co-operation with suppliers. The following items are included in social responsibility: employment terms and union rights, motivating and training employees, workplace health and safety, product quality and safety, trading sector standards and regulations, sponsoring and charity. The companies are engaged in the economic development of supplier countries by auditing and being committed to fair trade. Yet, supply chain issues are rarely discussed in detail. Customer focus is the starting point for social responsibility, and the companies believe that they have the capability to shape society and future. Social responsibility activities are said to be based on ethical principles, standards, risk management and co-operation with suppliers.

Table 8: Perceptions of social responsibility

Carrefour
• To satisfy the customers • To motivate the teams • To respect the suppliers • To be involved in the local community ‘Quality and safety’: product quality and safety, customer and employee safety
Kesko
• The provision of good, safe jobs, with care and job satisfaction for employees • Gradual improvement of working conditions for suppliers in developing countries through co-operation • Promotion of corresponding principles in Finland and abroad through example and initiatives • Contribution to activities that prevent social problems • Contribution to develop trading sector, business, and national and international trading regulations, through co-operation with organisations and stakeholders • Support for projects corresponding with Kesko’s values, relating to its operations and promoting social and community services and welfare Other responsibility areas: product safety, marketing and competition regulations, privacy protection, political relations, attitude to bribes
Metro
• Employees • Definition of internationally uniform standards • Information and communication instruments • Sustainable trade • Understanding of the local culture and habits • Co-operation
Tesco
• To create value for customers and communities • Employees • Responsibility in trading activities • Charity and community projects

In the following subchapter, the way the reports discuss stakeholders and motives for communication will be addressed. Also the way the companies seek to improve their performance on CSR as well as external suggestions included in the reports and general remarks generated from this study for improvement will be discussed.

4.5 Stakeholders in communication

In the reports, stakeholders are defined as customers (incl. wholesale customers and consumers), employees, franchises and retailers, shareholders, banks and the financial sector as well as suppliers, service providers and partners. Also local, state and EU authorities and governments, publicity and news media, trade unions, associations, organisations, NGOs, local communities and the broad public are named as stakeholders. In more general terms, stakeholders are those who are 'involved' and they can be grouped to internal and external stakeholders, or to political, ecological and cultural interest groups.

It is believed that regular contacts and dialogue with stakeholders help to satisfy customer needs and to participate in developing market, politics and society towards sustainability. It is a way to make corporate points of view heard. Communicating CSR is based on answering to the expectations of stakeholders, improving image and profitability, impeding business risks and receiving feedback. Also the increased awareness of the financial press, the criticism of corporate rating agencies and the tightening competition affect the willingness to communicate. Communication helps to implement new corporate values and to integrate CSR into management. The CSR report is an initial source of information on corporate policies, practices and goals. It is targeted at all stakeholders, describing the challenges the companies are facing. The report reflects what the company has achieved and how it performs, informing the stakeholders about the company acting in a responsible way. It is not a product of CSR but a tool to describe the results and the challenges.

For Carrefour, communication is no longer a question of providing information about the good corporate practices but of communicating with various audiences in order to improve understanding and the implementation of sustainable development. Kesko recognises that a responsible company must be able to balance the different expectations of various stakeholder groups and to have regular, documented contacts with all of them. According to Metro, the CSR report is not only to describe the steps taken so far but also to describe the challenges waiting ahead. Tesco believes that all its stakeholders expect the company to act in a responsible way, which makes it increasingly important to reflect on what the company has achieved, how it has performed and to communicate it. The ways the companies perceive their stakeholders and their motives for communicating CSR are listed in Table 9.

Table 9: Stakeholders and motives for communication

	Carrefour	***Kesko***
Definition of stakeholders	Those 'involved': customers, employees, suppliers, local authorities, associations and governments, shareholders, partners and the broad public, service providers, local communities, franchises, banks, the financial sector.	Authorities (EU, Finnish state and local authorities), suppliers of products and services, K-retailers, wholesale customers, consumers, shareholders, personnel, news media, NGOs, trade unions.
Motives to communicate CSR	The increasing awareness of the social and environmental performance of businesses shown by the financial press. Criticism from the corporate rating agencies.	Rather to impede business risks and to improve profitability than to seek for a better image. The tightening of competition in CSR.
The role of the CSR report	"*Communication is the core of the policies of responsible companies.*": an initial source of information on corporate policies, practices and goals.	Not the main product of corporate social responsibility but rather a tool by which to tell about the results.
	Metro	***Tesco***
Definition of stakeholders	Employees, customers, suppliers, shareholders and organisations, political, ecological and cultural interest groups, publicity.	Customers, staff, local communities, shareholders, others.
Motives to communicate CSR	To develop the market, politics and society towards sustainability by being in continuous contact with various stakeholders.	Stakeholder expectations: to reflect on what the company has achieved and how it has performed. Feedback from the stakeholders helps in finding out the expectations.
The role of the CSR report	A starting point for further improvements: to describe the steps taken so far and the challenges waiting ahead.	To ensure there are constant and open channels of communication, and to reflect the achievements by communicating them to the stakeholders.

The CSR report is seen as an initial source of information on corporate policies, practices and goals. That is why the quality of the report is essential and there are many ways the reports could and should be improved. There are usually some suggestions made in the reports on how the company could improve its performance on CSR but the level of reflecting the corporate performance in the form of improvement suggestions varies considerably among the reporters. Some of the companies think they could improve their reporting by making clearer plans and targets, improving measurability and systems for data collection, developing social quality control, analysing CSR effects on economic performance, reducing emissions and packaging material, developing stakeholder process, following GRI Guidelines, etc.

There are also some external suggestions included in the reports. Carrefour refers to e.g. an external analyst, according to which the company is lacking an integrated environmental management system. Carrefour admits that but assures that the reporting systems are being developed. Kesko thinks its responsibility is described in the report quite well but the analysis of its impacts on economic performance is not sufficient. Kesko has named several issues to be improved: social quality control, stakeholder process, measurability and comparability of certain indicators, etc. The assurer of the report suggests that Kesko should enlarge the completeness of target setting and related management plans to cover the entire company in a consistent manner. In Metro's report, the actual contents of the report are not looked at critically. A representative of an external sustainability organisation describes the challenges Metro is facing in general terms: identifying risks, absorbing sustainability principles to the corporate culture and management. Tesco, on the other hand, does not question or criticise any of its activities or reporting practices.

Generated from this study, it seems that companies could improve their reporting by describing both what has been achieved by far and the aims and schedules in future. There could be more exact numeric data instead of principles in the reports. For instance, the minimum, maximum and median salaries according to employee categories and sex could be announced as well as unionisation rates. In every report, employees are claimed to be the most important resource for the company but their voice is not heard. The values and opinions of employees could be expressed in the report and it could also include discussion on current societal concerns (incl. part-time and fixed term jobs, retirement, etc.). In addition, there should be both more data and discussion on supply chain issues. The most important, however, would be to take a critical outlook on the report and the corporate activities, ideally by providing more discussion with all stakeholder groups within the report.

The short tradition of reporting corporate social responsibility is seen in the reports in the sense that there remains a lot to develop in CSR reporting. In general, CSR discourse in society has become more sophisticated but companies need to look at their activities more objectively, to engage in real stakeholder dialogue and to reflect this in CSR reports. That is the only way CSR reporting can be developed to serve as information, potentially contributing to sustainable development. In order to be able to develop CSR practices the company has to define its values and principles, which are then to be approved by the personnel in their every day activities. The company needs to define what it stands for, what its aims are and how it is going to reach them. After that, it is possible for the company to act as a sender and to compose the message it wants to send. The message should reflect the corporate identity and contribute to the corporate image. At its best, the message is considered, clear and consistent. The report is not to be the purpose itself but rather a tool by which to describe what the company has achieved and what remains to be striven for. It is not the end product of continuous corporate processes aiming at sustainable behaviour but a means of developing and steering the processes. Thus, the report's role is to provide a framework for corporate social responsibility actions.

5 CONCLUSIONS

CSR reports belong to the sphere of corporate communication and they are targeted at developing the internal and external corporate image. The messages sent through the reports are transmitted and impersonal, using one-way direction the emphasis of the communication act being on the sender: the voices of stakeholders are hardly heard. Many reports suffer from excessive disclosure in the sense that they overwhelm rather than inform the reader, and the informational value of the reports is not usually very high. This is due to the fact that the reports mainly represent corporate principles rather than descriptions of practical activities or scheduled plans. In addition, there are little numeric data or profound discussion on the themes.

Based on this study, it appears that some companies provide reports reminding of advertisements in terms of layout and the depth of disclosure whereas others stay close to the format of the annual report. It seems that the format and style, the visual impact, is often considered to be more important than the actual contents of the reports. As such, the reports do not necessarily fulfil their main purpose of responding to user information needs. The companies seem to agree what CSR basically means and what it includes but there are no common set of benchmarks to measure the achievements or established processes to achieve the benchmarks. On the basis of the values identified and the activities described in the reports it is not possible to estimate to what extent the companies live up to their values. This is related to the fact that the reported contents are mainly on abstract level, concentrating on principles. Corporate social responsibility is perceived in terms of three elements: economic, environmental and social. They are said to be interdependent but actually economic responsibility is seen as means for the environmental and social dimensions. The companies seem to share the notion according to which business decisions cannot solely base on the general interest but business does have social responsibility to bear: profitable business makes it possible for companies to engage in social activities.

The companies agree on the definitions of their stakeholders. The reports are said to be a tool to be in regular contacts with the stakeholders, and the companies report CSR related issues externally because they want to answer to the expectations of stakeholders, to satisfy customer needs and to receive feedback. They aim at informing stakeholders on corporate policies, practices and goals, describing the challenges they are facing. It is important to make the stakeholders aware that the company is acting in a responsible way. This is meant to improve the image and to contribute to company success and profitability. It is also believed to impede business risks and to make corporate points of view heard. As well as the increasing expectations from different stakeholder groups also the increased awareness of financial press, the criticism of corporate rating agencies and the tightening competition within the industry are said to put more and more pressure to engage in CSR and to report on it. Further, a strong corporate identity is perceived to be effective in attracting and motivating employees. It creates confidence among different stakeholder groups, of which especially customers and financiers have a vital role. Other objectives mentioned in the reports include such as participating in developing the market, politics and society towards sustainability. The effect of the report can be direct or indirect but in any case it is believed to affect the business.

In all, CSR reports produced by the companies are targeted at a wide, non-defined range of stakeholders in order to promote an image of a company acting in a responsible way. The contents of responsibility are defined by the companies themselves in corporate values and business principles. Even if the companies stress the importance of stakeholder dialogue, the reports represent one-way, subjective, managerial-level communication from the sender to the receiver. CSR is actually a managerial level task: even if employees are seen as an essential resource they are not heard or taken to the process of value identification and developing the practice of CSR. Employees are the targets of e.g. education and training but they do not constitute a part of a multilateral process. Further, the companies use the kind of channel for sending the message that is safe, non-innovative, resembling the traditional annual report. Reporting does not seem to be based on the receiver's information needs but rather on the sender's need to legitimise the business. The companies do not hesitate to admit that corporate social responsibility is approved as long as it is financially beneficial. On the other hand, a strong financial position makes it possible for the companies to engage in CSR activities.

Since the amount of CSR reporting is increasing and companies are putting more effort on communicating CSR, the quality of CSR reporting is likely to improve. Benchmarking may positively contribute to that end and communication on CSR possibly ends up in the hands of professionals. Understanding the expectations of stakeholder groups on the other hand and the limits set by corporate management on the other will show the way.

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