



Accounting and Finance Occasional Paper Series
ISSN: 22049-5528

No. 2/July 2014

**A Semiotic approach to evaluating the
quality and veracity of CSR reporting**

Kemi C Yekini
Leigh Burrows
Kamil Omoteso



Editorial

July 2014

The Accounting and Finance Occasional Papers series (AFOPS) reflect the scholarship and research of staff, research and other postgraduate students of the department. The papers in the series are still “work in progress” and users should take this into consideration. Users should therefore take due care in citing or quoting the papers as they may change considerably during the review process and when they eventually become journal ready or are published through other outlets.

The views expressed in this paper represent those of the authors and do not necessarily reflect the views of the department or the University

Dr. Kemi Yekini
Editor

©2014 Department of Accounting and Finance, De Montfort University, all right reserved.

Except otherwise permitted under the Copyright Designs and Patents Act 1988, the written permission of the publisher must be obtained before this publication is sold or otherwise supplied, reproduced, stored or transmitted in any form or by any means. All enquiries should be sent to the address below.

Copies of the AFOPS can be obtained from:

The Editor,
Accounting and Finance Occasional Papers Series
Department of Accounting and Finance
Faculty of Business and Law
De Montfort University
Hugh Aston Building
Leicester
LE1 9BH

Or

Downloaded from:

<http://www.dmu.ac.uk/research/research-faculties-and-institutes/business-and-law/accounting-and-finance/accounting-and-finance.aspx>

A Semiotic approach to evaluating the quality and veracity of CSR reporting¹

Kemi C Yekini^{*(a)}, Leigh Burrows^(a) and Kamil Omoteso^(b)

Abstract

This paper demonstrate the need for a ‘linguistic turn’ in drawing meanings from corporate disclosures and accountability statements in order to reveal the genuineness and *raison d’être* of the disclosures. The study explores the use of a linguistic based theory and analytical tool – Semiotics – in investigating the quality and veracity of Corporate Social Responsibility (CSR) disclosures in annual reports. To do this, the texts of Corporate Community Involvement (CCI) narratives in the annual reports of sampled companies were analysed in order to reveal the reality of the disclosures. The authors argue that most CCI disclosure could be perceived as just another management process which enables companies to signal CSR compliance as the study revealed that signification of reality is either doubtful or unreal for most sampled companies. As well as the novelty of introducing semiotics into the CSR disclosure literature, this paper presents a unique CSR Semiotic Reality Model capable of guiding corporations in their CSR activities and reporting.

Keywords: Accountability statements, Annual Reports, Corporate Community Involvement (CCI), Corporate Social Responsibility (CSR), Narratives, Semiotics

Article Classification: Research Paper

* Corresponding author: Dr Kemi C. Yekini; kyekini@dmu.ac.uk

¹Department of Accounting and Finance, Leicester Business School, De Montfort University, UK

²Department of Economics finance and accounting, Coventry Business School Coventry University UK

¹ Acknowledgments:

The authors are grateful to Professor David Crowther and Dr Peter Scott for their contribution and critique at different stages of this paper; Dr David Russell and research seminar participants at the various research seminars held at the De Montfort University for their comments on earlier versions of the paper. The paper has also benefited from the views of the participants at the Centre for Research into Organisational Governance (CROG) Annual Conference and the British Accounting and Finance Association (BAFA) Conference.

1. Introduction

The focus of CSR debate over the last decade has gradually shifted from the ‘need to report on CSR activities’ to ‘concerns about the scope, quality and authenticity of CSR’ reports (Adams, 2004; Beattie *et al.*, 2004; Hasseldine *et al.*, 2005). The debate on these issues basically centres on the best measure of CSR disclosures, given that the disclosures are narrative in nature. Up to the present, certain questions still linger in the debate. An example is the question of whether to evaluate CSR narrative disclosure in terms of its quantity (amount or length) or its quality (reliability) (Botosan, 2004; Beattie *et al.*, 2004; Beretta and Bozzolan, 2004 and 2008) and, if the latter, what should be the best measure or the best way of evaluating quality (Adams, 2004; Beattie *et al.*, 2004; Hasseldine *et al.*, 2005; Aras and Crowther, 2009; Burritt and Schaltegger, 2010).

The fact that corporate disclosures, whether contained in annual reports, press releases, accounting magazines or even a separate CSR report and in whatever format, whether quantitative, narratives, images, graphs or in tables, all represent means of communication has been well argued by accounting scholars such as Belkaoui (1978); Cooper and Puxty (1994), Davison (2007, 2011); Macintosh (2003); Macintosh and Baker (2002); Macintosh *et al.* (2000); and McGoun *et al.* (2007). These authors argue that accounting information represents a business language through which corporations communicate to the public, hence the need for a linguistic turn in drawing meanings from such disclosures. The linguistic turn as defined by Macintosh and Baker (2002: 185) refers to the idea of treating the phenomenon or object of interest as a text and analysing it for its textual properties using methodologies from literary theories. Moreover, Macintosh and Baker (2002) illustrate that, as the language of business, the claim that accounting information represents an objective reflection of reality can only be sustained when such information is investigated for its narrative qualities. Generally, narratives take the form of a sequence of events, actions or experiences with different parts all put together as a meaningful whole (Feldman *et al.*, 2004) and connected to a central purpose (Gilbert, 2002), thus reflecting the underlying values of the narrator (Propp, 1958; Barthes, 1973 and 1977; and Eco, 1994). Accordingly, a typical analysis of the quality of narratives should involve the *subject*^[1] (the narrator or author), the *object* (the act or story being narrated) and the *audience* (target users/readers). Consequently, for CSR narratives, management is the subject or author, the content of CSR disclosure is the object or message, while the audience consists of investors, analysts and other annual report users, who access the information for confirmation of their expectations and, thus, to inform their decision making process.

This paper demonstrates that evaluating the reliability and, hence, the quality of CSR disclosure can best be achieved by employing linguistic-based theories such as semiotics. Consistent with the argument of Macintosh *et al.* (2000) and Davison (2011) that economic-based theories have lost power in predicting social phenomena, this current paper argues that quality/reliability can best be evaluated from the viewpoint of the audience that is responsible for setting expectations. The paper is unique as it is the first to explore the reality of CSR disclosure as it appears in annual reports using a linguistic-based theory – semiotics. In addition, the paper provides a more robust analysis and unique insights into how to evaluate the authenticity and quality of accounting and accountability statements. The rest of the paper is structured as follows. The next section presents a brief review of the literature and the theoretical framework for the study while section three discusses in detail the methodology and describes the use of Greimasian semiotics as the analytical tool. The findings from the study are discussed in section four while section five summarises and concludes the study.

2. Literature review and theory

2.1 Previous studies

A variety of definitions and measurements of disclosure quality exist in the literature, while much debate has taken place on the best way of evaluating disclosure quality (Botosan, 2004; Beattie *et al.*, 2004; Beretta and Bozzolan, 2004 and 2008). Consequently, various methods of measurement have been used in the literature as a measure of disclosure quality. While some have used analyst ratings (Toms, 2002; Hasseldine *et al.*, 2005), others have constructed their own index (Walden and Schwartz, 1997; Botosan, 2004; Beattie *et al.*, 2004; Freedman and Stagliano, 2008; Yekini and Jallow, 2012). Beattie *et al.* (2004) categorised the different approaches used in the literature into two, namely subjective analyst ratings and semi-objective studies. Studies adopting semi-objective approaches include thematic content analysis, readability, linguistic analysis and disclosure index studies (see Beattie *et al.*, 2004: 208-213 for a detailed review of these studies and approaches). Furthermore, in measuring CSR disclosure, some scholars (Guthrie and Parker, 1990; Gray *et al.*, 1995b; Hackston and Milne, 1996; Guthrie *et al.*, 2003 and 2004) included the quantity of disclosure among other criteria, such as the location and evidence, while some authors simply used quantity as a proxy for quality.

However, these authors did not distinguish between the quantity and quality of disclosures, arguing that the quantity of information is capable of influencing the quality. On the other hand, some scholars (Walden and Schwartz, 1997; Freedman and Stagliano, 1992, 1995 and 2008; Toms, 2002; Botosan, 2004; Beattie *et al.*, 2004; Hasseldine *et al.*, 2005; Yekini and Jallow, 2012) distinguished between quality and quantity of disclosures, arguing that quantity alone will not be an adequate measure of quality and that measuring the quality of disclosure is much more important than the quantity as the quality conveys the meaning and importance of the message.

Based on the foregoing debate, Beattie *et al.* (2004) argued for the development of a comprehensive disclosure profile that could serve as a practical tool for evaluating disclosure quality and suggested a four-dimensional framework. This consists of the amount of disclosure spread across topics and three attributes of the information, historical/forward-looking; financial/non-financial and quantitative/non-quantitative while describing the quality of narrative disclosures as a complex and “*multi-faceted concept*” (p.227). In addition, they introduced a computer-assisted methodology to assess the applicability of the framework. However, while commending the holistic approach of Beattie *et al.* (2004), it is instructive to note that their approach, apart from the introduction of computer-assisted methodology, is not entirely different from previous methods of evaluating the quality of social disclosure documented in the extant literature. For example, Guthrie and Parker (1990); Gray *et al.* (1995b); Hackston and Milne (1996); and Guthrie *et al.* (2003 and 2004) all included in their measurement of social disclosure the volume of disclosure spread across theme together with the financial/non-financial and quantitative/non-quantitative attributes while Walden and Schwartz (1997); Freedman and Stagliano (1992, 1995 and 2008) also considered the timing (i.e. historical/forward-looking attributes) in the construction of their indices.

Nevertheless, Botosan (2004) suggested that as there are no generally accepted frameworks of disclosure quality, researchers could employ the guidelines provided by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (IASB, 1989; FASB, 1980), arguing that such guidelines give a better foundation for the development of a framework of disclosure quality. The IASB and FASB stated that

information disclosed in annual reports can only be useful to economic decision makers if they possess the attributes of: (1) understandability, (2) relevance, (3) reliability and (4) comparability. Botosan (2004) therefore offered a definition of quality as: Quality = f (understandability, relevance, reliability, comparability), arguing that since this framework is produced by the standard-setters; it is reflective of a more generally accepted definition of disclosure quality.

However, even if we accept Botosan's framework, the operationalisation of these attributes becomes an issue as observed by Hooks and van Staden, (2011), who, adopting Botosan's approach, found that although it was possible to assess the understandability, relevance and comparability of the information, it was very difficult to assess its reliability. Consequently, while some studies (Aras and Crowther, 2009; Burritt and Schaltegger, 2010; Cho et al., 2010) have continued to raise fundamental questions relating to the quality and reliability of CSR reporting, others have examined it from the point of view of stakeholders' concerns, thus examining a cross-country and developing economy comparison (De Villiers and van Staden, 2010) and its relationship with accountability (Adams, 2004; Cooper and Owen, 2007). Other scholars have called for a literary approach to examining the reliability of the information (Macintosh and Baker, 2002; Bebbington *et al.*, 2008; Aras and Crowther, 2009; Yusoff and Lehman, 2009; Davison, 2011).

These scholars argued that to investigate the reliability and quality of disclosures of this nature, they should be subjected to textual analysis which is an active way of decoding the messages in the text by the reader. Bebbington *et al.* (2008, p.353) asserted; '*... focus on linguistic strategies...may be especially appealing if analysis of reporting moves towards examining discourses rather than quantitative measures of disclosure*'. Therefore, in the current study, the quality of CSR disclosure is evaluated by assessing its reliability and reality using a semiotics approach.

Generally, semiotic principles and techniques have been infrequently applied to management and social research. Nevertheless, its use is gradually gaining ground. Although its application in management research is largely found in Marketing and Communication studies (Corea, 2005; Kameda, 2005; Otubanjo and Melewar, 2007; Burgh-Woodman and Brace-Govan, 2008); its use is fast growing in other areas of management research such as Organisational Behaviour (Fiol, 1989; Lindblom and Ruland, 1997; Cooper *et al.*, 2001; Bell *et al.*, 2002; Hancock, 2006; Joutsenvirta and Usitalo, 2010) and Accounting research (Cooper and Puxty, 1994; Macintosh and Baker, 2002; McGoun *et al.*, 2007; Davison, 2007 and 2011). However, its use in Social and Environmental Reporting studies has been very limited, with only two studies (Crowther, 2002 and Yusoff and Lehman, 2009) documented to date as far as the authors are aware. Nevertheless, while Crowther (2002) used semiotics to examine the relationship between financial and environmental performance, Yusoff and Lehman (2009) used the approach in their comparison of CSR reporting practices. Assessing the quality of CSR disclosures using semiotic analysis is therefore unique to the current study.

Fiol (1989) examined the semiotics of the letters in CEOs' statements in annual reports and was able to establish that these letters revealed the link between organisational beliefs and strategic behaviour which has hitherto been very difficult to capture with conventional research methods. Macintosh *et al.* (2000) and Macintosh and Baker (2002) draw on radical semiotics and Baudrillard's [not in the references] orders-of-simulacra theory to investigate the reality of accounting information and conclude that a literary theory perspective gives a different perspective on the nature of accounting and accounting reports. Similarly, Yusoff and Lehman (2009) found semiotics very useful in "making sense" (p.241) of corporate reporting practices in

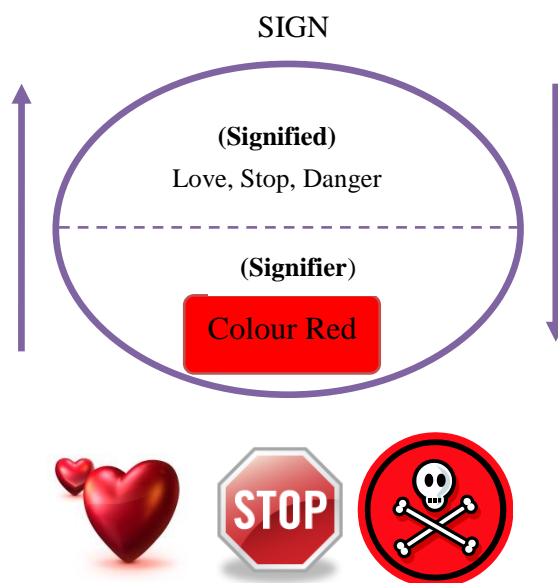
their investigation and comparison of corporate reporting practices in Malaysia and Australia. Crowther (2002) investigated the binary opposition between corporate performance and environmental performance using the semiotic stage and found that corporate performance in both financial and environmental dimensions cannot be dissociated from one another. A company performing well financially was found to be performing well in both dimensions which appear to run contrary to the findings of studies adopting conventional research methods such as Hackston and Milne, (1996); Ho and Wong, (2001); and Hasseldine *et al.*, (2005) that found no relationships between profitability and social disclosures.

Motivated by the findings of these studies and the interpretative power of semiotics, the authors are interested in knowing whether the reliability of CSR disclosure can be assessed through a semiotic perspective. In semiotics, disclosures are interpreted from the viewpoint of the audience (Wood and Jones, 1995). Wood and Jones (1995) argued that the audience is responsible for setting the quality-disclosure expectation in the first place and hence should be in a better position to evaluate whether or not the outcome of CSR activities meets community expectations. Preston (1975), looking at the problem from the point of view of the organisation, developed a framework for managing social issues. In his framework, he recognised the fact that corporations would first, be aware and/or recognise a social issue (i.e. establish an expectation-gap); secondly, the corporation plans to solve the issue and to incorporate such plans into its corporate goals; thirdly, the corporation responds in terms of policy development; and, finally, it implements the policy. This framework is quite similar to that of Wood and Jones (1995). However, the Wood and Jones (1995) model incorporated the evaluative stage where the community assesses the effect of corporate actions.

2.2 Semiotics

The Semiotics principle/theory originally developed out of linguistics through the works of Saussure [1857-1913] and Peirce [1839–1914] as the scientific study of language and has since expanded to conceptualise the general study of signs (Crystal, 1987). Saussure (1983) described semiotics as a science of signs encompassing any system of producing signs. The Saussure model divides a sign into two inseparable components – the *signifier* and the *signified* – while the relationship between the two is the signification. According to Saussure, the linguistic sign does not unite a thing and a name but rather a concept and the sound, image or gesture (Saussure, 1983). For instance, the colour *red* could mean much more than being just one of the primary colours and could connote a range of apparently differing emotions. For example, it could denote anger, stop, danger or love. The meaning assigned to it at any point in time therefore depends on the circumstances surrounding its use, any other sign that goes with it and the experience and knowledge of the interpreter. If we apply Saussure’s model of a sign – the *signifier* and the *signified* – the colour *red* represents the *signifier* while the concept of love, stop or danger represents the *signified* as shown diagrammatically below.

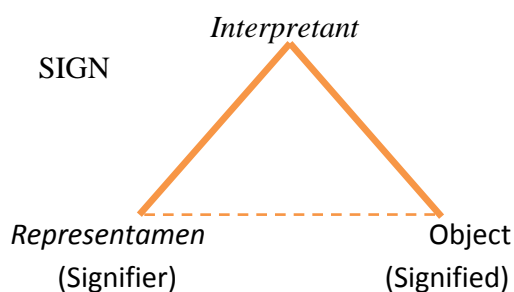
Figure 1: Saussure's Dyadic Model of the Sign



Source: Adapted from Chandler, D. (2014), Semiotics for Beginners Accessed 17 July 2014 online at <http://visual-memory.co.uk/daniel/Documents/S4B/sem02.html>

Peirce, on the other hand, argued that all social practices can be seen as a sign (*representamen*) which stands for something (*its object*) to somebody (*it's interpretant*) in some respect or capacity (*its ground*) (Peirce, 1931-58, 2.228, cited in Hawkes, 2004). According to Peirce, the triadic interactions of these terms (see Figure 2), known as *semiosis* refers to the process of signification which is somewhat different to the dyadic relationship of Saussure's *signifier* and *signified*. While the Saussure model emphasises the natural language (that is, words) as the sign system, the Peirce model emphasises the sequence of events in the narrative or groups of narratives as the sign system (Fiol, 1989; Hawkes, 2004). Eco (1976) summarized semiotics as a concern with anything that can be taken as a sign.

Figure 2: Peirce's Triadic Model of the Sign



Source: Adapted from Chandler, D. (2014), Semiotics for Beginners Accessed 17 July 2014 online at <http://visual-memory.co.uk/daniel/Documents/S4B/sem02.html>

Nevertheless, semiotics as an emerging research technique has developed into different strands depending on the sort of sign system being studied (Chandler, 2007), while different schools of thought have also emerged (Propp, 1958; Jakobson, 1960; Greimas, 1966/1983; Lévi-Strauss, 1972; Barthes, 1973). These schools of thought are broadly grouped into the paradigmatic and the syntagmatic leanings. A sign enjoys syntagmatic relations where signification occurs as a result of the sequence of events that make up the narrative or story, while in paradigmatic relations, signification occurs as a result of the association of the sign with other signs within the narrative as seen in the colour red example above. The Saussure model discussed above may be said to be paradigmatic in nature while the Peirce model is syntagmatic in nature. Consequently, semioticians in the paradigmatic school of thought include Lévi-Strauss (1972) and Barthes (1973, 1977) while semioticians in the syntagmatic school of thought includes Propp (1958) and Greimas (1966/1983).

A review of management and social research literature revealed that management and social researchers most often employed either Greimas' approach to semiotics (Floch, 1988; Fiol, 1989; Sulkunen and Torronen, 1997; Joutsenvirta and Usitalo, 2010) or Barthes' approach to semiotics (Bell *et al.*, 2002; Davison, 2007 and 2011). Barthesian semioticians are more interested in the "code by which the narrator and the reader are signified throughout the narrative itself" (Barthes, 1977: 110) rather than the narrator's actions or motives or the effect the actions would have on the reader. Consequently, Barthesian semioticians emphasise the functions of the words and their relationship to other words used in the narrative to form signification (Barthes, 1977). Greimasian semioticians on the other hand define signification as when the reader is able to uncover the truth inherent in the narrative by analysing the actions of the narrator using logical, temporal and semantic criteria (Greimas, 1983; Greimas and Courtés, 1982). Hence, Greimasian semioticians believe that the actions or motives of the subject in the narrative are more important than the words used in describing the actions. Consequently, Greimas' semiotic analysis is based on the '*doings*' of the words in the texts rather than the meaning; hence the words are seen as *actants* helping to describe the actions (Hébert, 2011). In this paper the authors employ the Greimasian narrative semiotic method.

2.3 The Greimasian semiotic model of analysis

The Greimasian narrative semiotic identifies the structural pattern in narratives and aims to clarify the necessary conditions producing values through which reality may be perceived (Sulkunen and Torronen, 1997). The method looks beyond the sign itself into the system of signification in order to uncover the reality (i.e. the truth or falseness) of the sign. The Greimasian narrative semiotics method is particularly suitable for this study because the study considers CSR disclosures which are recorded corporate messages narrated in the form of folktales/stories in annual reports. They consist of stories that could be rearranged in order to achieve a recurring structure that lends itself to semiotic analysis.

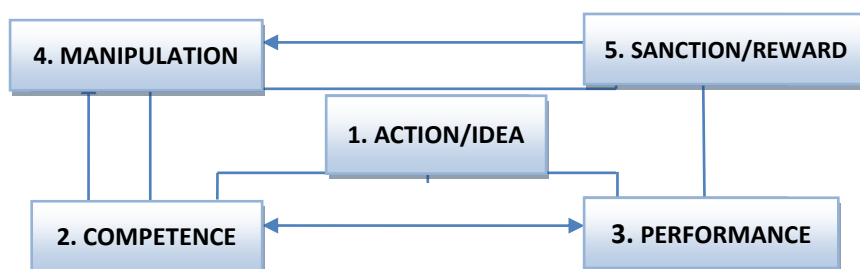
In Semiotics, narratives are analysed as series of schemas in which the semiotic act or story may be structured into components (Hébert, 2011). The five components identified by the Greimasian Canonical Narrative Schema are:

1. **The action/idea** – that is, the act itself
2. **Competence** what is required to achieve the act – this is described in semiotics as *wanting-to-do* or *knowing-how-to-do*
3. **Performance** – the actualisation of the action i.e. *having-to-do* and *being-able-to-do*

4. **Manipulation** – the compelling force, described in semiotics as *causing-to-do*
5. **Sanction or reward** – that is, evaluation of performance for its quality

This may be illustrated diagrammatically as follows:

Figure 3: The Greimasian Canonical Narrative Schema



Source: Tools for Text and Image Analysis an Introduction to Applied Semiotics (Hébert, 2011, p.93).

In a typical analysis, not all the above components are used but they can at least provide the basis for a typology of discourse in a particular narrative analysis. Moreover the existence of one component ultimately leads to the logical presence of the others (Floch, 1988). For instance the *idea* of getting involved in community development will usually be preceded by the *manipulation* component – *causing-to-do*, that is, the corporation must have been compelled or motivated by something, say community need or the need to legitimise its operations (Campbell *et al.*, 2006), before deciding to (i.e. *competence* or *wanting-to-do*) get involved in community development (i.e. *performance*). In other words the *competence* and *performance* components follow simultaneously, thus indicating that the two components may be implicit in one (Hébert, 2011). Furthermore, the *performance* component is ultimately followed by the *sanction* component which is more or less an evaluative component.

Consequently, in this study, the authors employed a two-phased narrative analysis. The first phase involves the identification of the modality of the narratives based on the narrative schema above. The second phase identifies the cognitive perspective (Maddox, 1989), which are developed into veridictory positions using the semiotic square of veridiction (see Figure 4). Modality refers to the structure evaluating the state of affairs of the subject (Sulkunen and Torronen, 1997), that is, the *being* and *doing* of the subject of the narratives (Fiol, 1989) and whether or not reality may be constructed.

Modality may be viewed from two perspectives, the morphological and the semantic. The morphological perspective views modality from the grammatical angle, that is, the interconnectivity and interdependence of the words used in the narrative (Sulkunen and Torronen, 1997) while the semantic approach views modality from the perspective of the content of the narrative and their signified (Hébert, 2011). The semantic approach is considered relevant to this study since the values imputed to a phenomenon by the components of the narrative schema enumerated above do not make up the meaning of the action itself, nor do the grammatical relationships of words reveal the reality of the phenomenon (Sulkunen and Torronen, 1997; Hébert, 2011). Conversely, in the semantic plane of texts, values are imputed when the dialectics (that is, the state of affairs, the processes and the actors involved in them along with the logical sequencing of the content of the narratives) are subjected to modal

evaluation known in semiotics as dialogics. Modal evaluation is to determine whether the semiotic act can be said to be true or false (known as veridictory status) or whether the semiotic act can be situated in one of the three worlds of the semantic universe, that is: the actual world (*what is*), the counterfactual world (*what is not*) or the possible world (*what could be*). This is known in semiotics as the ontological status i.e. relating to existence or ontology. Hence, the ontological status may be: real, unreal or possible/doubtful (Hébert, 2011:139).

Consequently to understand social reality, a semantic unit is usually formulated as a logical proposition and then evaluated on its veridictory and ontological status (Hébert, 2011). For instance, the proposition “the Sky is blue” may be assigned a true or false value (the veridictory status) which will then determine the world in which it should be situated (i.e. actual, counterfactual or the possible world). So if the proposition – *the Sky is blue* – is, say, *true*, then it is situated in the actual world and assigned an ontological status of *real*. Conversely, if it is false or a combination of true and false, it might be situated in the counterfactual or the possible world. However, the components of the canonical narrative schema enumerated above suggest that to perform a semiotic act, an actor or narrator is not only motivated by something, but should also exhibit the desire and willingness to perform the act. In addition, the competence to perform and actual performance of the act must be evident before signification can occur. This may pose some difficulty with the semiotic of CCI as it implies that several related modal structures would have to be constructed and, consequently, different propositions with different degrees of certainty.

However, for signification to occur, Greimasian Semioticians such as Floch, (1988); Fiol, (1989) and Sulkunen and Torronen, (1997) argue that the signification process should be generative in nature. First, it should begin with the formation of propositional discourse which develops from “simple deep” *semio*-narrative structures exhibiting abstract articulation with little condition for signification and then progresses to the formation of discourses developed from “rich and complex discursive structures” (Sulkunen and Torronen, 1997, p.51) which enriches signification by manifesting a distinct expression of reality. Therefore, the generative process of signification requires a logical organisation of modal structures such that the juxtaposition of a set of propositions should qualify them to be situated in the same semantic universe in order to generate signification. For instance, the *semio*-narrative structure may include a simple utterance of *being*, that is, the corporation has knowledge of a specific need within their community of operation and is therefore motivated to a further utterance of *doing*, which could be supplying or meeting the specific need. These thus show a transformation from the state of *being* to the state of *doing* and thus form a rich and complex discursive structure (Sulkunen and Torronen, 1997).

Therefore, in order to achieve a logical and comprehensive taxonomy of discourses that would reveal the underlying values of corporations and thus allow for the construction of reality, this paper argues that a real act of development should not be a one-off event but should take into consideration future developments. Hence, the content of such narrative reports should not only be outward looking, but also forward-looking (Crowther, 2002). Consequently, in developing the propositions for this study, the authors put both the current and future semiotic act of CCI into perspective, while taking into consideration how these are articulated in the narratives. Based on Preston’s (1975) framework and the Wood and Jones’ (1995) model – discussed in Section 2.1 above– the following propositions will be considered in analysing the text of the CCI narratives in the annual reports of sampled companies:

Proposition 1a: *The written report on CCI shows evidence of corporations' concern or awareness of specific needs identified within their community of operation.* – **Manipulation Component**

Proposition 1b: *The written report on CCI shows evidence of corporations meeting the specific needs of the community within which they operate.* – **Competence and Performance Component.**

Proposition 2a: *The written report identifies future development targets in the community of operation.* – **Manipulation Component.**

Proposition 2b: *The written report considers future targets as a reflection of further community developments along with past performance.* – **Competence Components which will ultimately lead to future Performance.**

It can be observed from the above that proposition (1b) follows logically from proposition (1a) and proposition (2b) follows logically from proposition (2a), essentially conceptualising the components of the narrative schema discussed earlier: **Manipulation or motivation** (causing-to-do); **Competence** (wanting-to-do or knowing-how-to-do) and **Performance** (having-to-do or being-able-to-do). Therefore, for signification to occur, proposition (1a) must be evident along with (1b) or at least be implicit in one another. Subsequently, proposition (2a) must be evident along with (2b) or at least be implicit in one another. Hence, for the purpose of ontological classification the propositions are paired up such that the validity of each set of propositions is investigated under various world conditions by applying them to the narratives of community involvement as disclosed in the annual reports of sampled companies.

3 Methodology

3.1 Unit of Analysis

CSR disclosure themes consist of health and safety, corporate community involvement (CCI), human resources, product safety, pollution control, environmental issues, customer satisfaction, suppliers, diversity and inclusivity among others. However, for the purpose of this study only one of the CSR themes has been chosen for analysis – CCI. CCI reports have been chosen as the unit of analysis because the reports tell stories of the involvement of the corporation in developments within their community of operations. Such stories are considered more suitable for semiotic analysis as the stories give specific details of each company's activities within its community of operation with the objectives of reflecting the underlying values of a good corporate citizen to the readership of the annual reports. The reliability of the stories therefore can be established through the achievement of such values. In other words, the stories are signals of achieving the status of good corporate citizen (Yekini and Jallow, 2012).

3.2 *The Sample and Data*

The samples for this study are drawn from the FTSE 350 index. The FTSE 350 was chosen to ensure that a representative sample of large companies in the UK is considered and that a good spread is achieved among different industries. Previous studies (Gray *et al* (1995a and b); Campbell *et al.* (2006)) have shown that larger companies are more likely to capture more data than smaller ones. To ensure representativeness, the companies on the list were divided into ten strata using their industrial classification^[2] as a basis. The ten industries classification according to the ICB, include: Oil and Gas, Basic Materials, Industrials, Consumer Goods, Health Care, Consumer Services, Telecommunications, Utilities, Financials and Technology (ICB, 2009). Efforts were made to ensure a fair representation of all ten ICB classifications in the sample. In addition, to ensure a fair balance, two companies were chosen randomly to represent each industry; while data was collected over a 10-year period from 2000 to 2009. However, for the purpose of this study, the 10 year period was bifurcated into two time periods: T1 = 2000 to 2004 and T2 = 2005 to 2009. It was expected that more quality reports would be made in the second time period T2 (2005 – 2009) due to increased global awareness of CSR. Therefore, one annual report was selected from each time period for all sampled companies. The authors selected years that were felt to provide the greatest volume of text which could be analysed meaningfully. This is because reports produced for other years consisted of short statements which did not lend themselves to semiotic analysis. The final sample therefore comprises of 40 annual reports in total (see appendix 1 for details).

The annual reports alone were used for this investigation because they provide a representation of the company to the outside world at a fixed point in time. However, while the annual report performs a regulated stewardship function, the part containing CCI is not subject to any regulation but contains voluntary narrative disclosures on the company's involvement with the community. The language of all the texts analysed is English. The analysis is specific to the message transmitted regarding the involvement of sampled companies with their communities.

The analysis proceeds as follows:

Phase 1: The first phase involved three steps;

Step 1 is to identify the semiotic act or acts, that is, what stories are being told in each report. The information on CCI was therefore sorted into the categories of CCI identified by Ernst and Ernst (1978) and Gray *et al.* (1995a). Four categories were identified – community projects; health and related activities; education and the arts and other community activities. Each topic represents a semiotic act of CCI, thus a unit of analysis.

Step 2 is to uncover the structural pattern of the narratives i.e. the modality or modal structure as discussed in Section 2.3 above.

Step 3. In Step 3, each topic or unit of analysis was examined dialogically by applying the four propositions above (Section 2.3) in order to determine the veridictory characteristics of each story as denoted by the meta-terms (being, not-being, seeming, not-seeming). This is similar to examining whether or not a hypothesis was supported in a quantitative experiment.

Phase 2: This is the *sanction* phase. In this phase, the outcome of step 3 above was subjected to further evaluation in order to examine the truth or falseness of the performance using the *semiotic square of veridiction* (also called the *Veridictory Square*). It is a type of semiotic square developed by Greimas and Courtés (1982) and built upon the oppositions *being* and *not-being* or *seeming* and *not-seeming*. The Veridictory square is used to examine the extent of

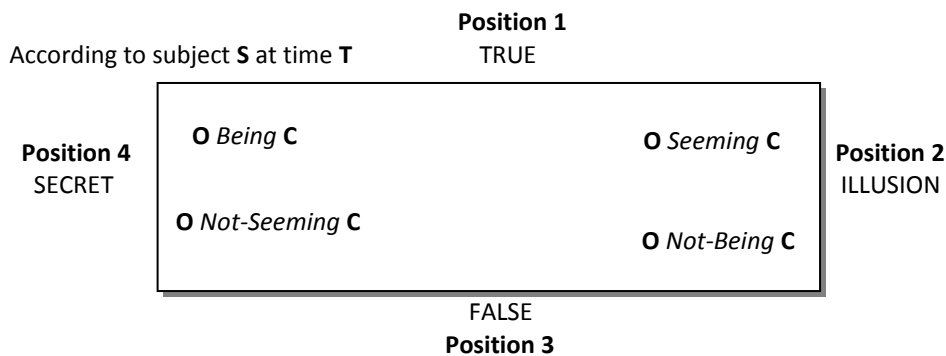
truth/falseness in any semiotic act where truth or falseness is fundamental to the whole analysis (Hébert, 2011). Consequently, in the current study, since quality lies in the truth and authenticity of the performance reported, the authors consider the use of the semiotic square of veridiction as very relevant to this study. The square is used in this study to determine the *sanction* components referred to in the semiotic schema above and thus in evaluating the reality (ontology) and hence the quality of performance as claimed by the performing subject based on the characteristics of the features observed in the story from step 3 above.

The main elements of the Veridictory square are:

1. The subject – the narrator or author shown as ‘S’ on the square
2. The object – the act or performance shown as ‘O’ on the square
3. The characteristics observed in the object shown as ‘C’ on the square
4. The Veridictory status:
 - ✓ True (*being + seeming*),
 - ✓ False (*not-being + not-seeming*),
 - ✓ Illusory (*not-being + seeming*), and
 - ✓ Secret (*being + not-seeming*) (Hébert, 2011, p.51)

This is illustrated diagrammatically below:

Figure 4: The Semiotic Square of Veridiction



Legend: S: subject; O: object; C: characteristic; T: time-period

Source: Tools for Text and Image Analysis an Introduction to Applied Semiotics Analysis (Hébert, 2011, p.54).

In Figure 4, the story narrated by subject *S* in time *T* is assessed on the basis of the propositions and awarded a sanction or reward by assigning the Veridictory status (true, false, illusion or secret) depending on the combination of the meta-terms (being, not-being, seeming or not-seeming) assigned to it in Phase 1 (step 3) above. Table 1 below presents a fuller description of the process as it applies to the current study.

Table 1: An overview of the method adopted in this paper

Time	Unit of Analysis	Procedure	Propositions	Veridictory status	Ontologic al Status
T1	Specific aspect of community involvement: E.g. Health and related activities.	Read each topic/unit of analysis and check for evidence of P1a – P2b	<p>P1a: <i>The written report shows evidence of corporations' concern or awareness of needs identified in the area of health and related activities within their community of operation.</i></p> <p>P1b: <i>The written report shows evidence of corporations meeting the identified needs in the area of health and related activities within their community of operation.</i></p> <p>P2a: <i>The written report identifies future development targets.</i></p> <p>P2b: <i>The written report considers future targets as a reflection of further community developments along with past performance.</i></p>	<p>Seeming Being</p> <p>Being</p> <p>Seeming Being</p> <p>Being</p>	<p>True</p> <p>True</p> <p>Real/ Certainty</p>

Therefore the components of the narrative schema *Manipulation*, *Competence* and *Performance* are conceptualised in the four propositions thus serving as a deep-structure schema capable of revealing the reality of each narrative. Similarly, the *Sanction* component was conceptualised in the Veridictory/Ontological evaluation. Consequently, to construct reality, the authors seek to find evidence of the juxtaposition of both current CCI and future targets and developments in a particular story. It follows that a particular CCI story should necessarily embrace all four propositions for signification to occur. In view of this, the analysis was designed to find a distinct spatial description that allows for the coexistence of two pairs of complementary meta-terms^[3], *being/seeming* or *seeming/being*, for the first set of propositions (1a and 1b) and *being/seeming* or *seeming/being* for the second set of propositions (2a and 2b) such that the two pairs are awarded *True* Veridictory status as depicted in Table 1 above. This allows both pairs of complementary meta-terms to be placed in the same semantic universe and to be awarded a common ontological status. Therefore, a story with veridictory status as depicted in Table 1 can be said to be a true reflection of community development and thus be awarded an ontological status of *real* (Hébert, 2011, p.136).

However, a change in time, say from T1 to T2, may bring about a change in the position depicted above. For instance, in a scenario where a change in time from T1 to T2 leads to proposition (P2a) in Table 1 being assigned a *seeming* characteristic and (P2b) being assigned *not-being*, the position for this pair of propositions will move on the Veridictory square to position 2 (*Illusion*). In this case, the ontological status of such a semiotic act will be *doubtful* as far as community development signification is concerned, because if the first set of propositions are true and the second set is false (i.e. illusion), then it is not clear if this is a real act of community development or just a one-off event. Hence, a CCI story considered as a semiotic act may only acquire the full ontological status of *real* when the Veridictory status of *True* is

assigned to both pairs of propositions consistently through time. See Appendix 2 for the workbook used for the analysis.

4 Findings and Discussion

Table 2 presents a summary of the results. The boxes with a dash indicate that the topic was not reported in that time period. A community act in a particular time period was awarded an ontological status of *real*, where each pair of propositions is assigned a *true* veridictory status for that time period. On the other hand, an ontological status of *unreal* is awarded when each pair of propositions is assigned a *false* veridictory status for that time period. Finally, an ontological status of *doubtful* is an indication that in a particular time period, one of the pair of propositions is *true* while the other pair is either *false*, *secret* or *illusion*. Nevertheless, according to the rule outlined in the last section, for reality to be construed about a particular narrative in a CCI story, the ontological status of *real* should have been assigned to both time periods under consideration. Therefore an overall ontological status of *real*, *doubtful* or *unreal* is assigned to the state of affairs depicted by the stories when the two time-periods are combined in the same semantic universe (i.e. actual, counterfactual and possible worlds). As a result, if an ontological status of *real* is assigned in one time period and *unreal* in another time period, the overall ontological status for that corporation's CCI activities is assigned the *doubtful* ontological status. This is so, as the inconsistency on the part of the corporation regarding CCI does not show active involvement in community development.

Consequently, Table 2 reveals that of all the reports examined only 7 reports from 6 of the companies sampled reported CCI assigned a '*real*' ontological status for both time periods, thereby achieving an overall '*real*' ontological status^[4]. The implication of this finding is that only 6 of the companies sampled can be said to be actively involved in and committed to one form of community development or another with complete certainty throughout the period under consideration. However, CCIs with an ontological status of *real* in one of the time-periods but assigned any other ontological status other than *real* or not reported in the other time-period represent about 40% of the total reports examined. Such reports are classified as *doubtful* while reports with CCI classified as *unreal* with any status other than *real* in both time periods constitute more than 47% of the total reports considered (see Figure 7 below for details).

Table 2: Summary of Results from Semiotic Analysis of Community Disclosures from 40 Annual Reports

Industry	Companies	Community Projects		Education & the Arts		Health & Related Activities		Other Community Activities	
		T1	T2	T1	T2	T1	T2	T1	T2
Basic Material	Aquarius Platinum	Doubtful	Doubtful	Doubtful	-	Doubtful	Doubtful	-	-
	BHP	-	Unreal	-	-	-	-	-	-
Consumer Goods	British American To.	-	Unreal	-	-	-	-	-	Real
	Unilever	Doubtful	Doubtful	Doubtful	-	Real	Real	-	-
Consumer services	WPP	-	Doubtful	Real	Doubtful	-	Real	Real	-
	Tesco	Real	Real	Doubtful	Real	-	Doubtful	Doubtful	Doubtful
Financials	Lloyds	Unreal	Real	Unreal	-	-	-	-	Real
	Prudential	Real	Doubtful	Doubtful	Real	-	-	-	Real
Healthcare	Smith &Nephew	-	-	-	Real	Real	Real	-	-
	BTG	Unreal	Unreal	-	Real	-	Doubtful	-	-
Industrials	Carillion	Doubtful	Real	Real	Real	-	-	Unreal	-
	Rolls Royce	Unreal	Real	Real	Real	-	-	-	-
Oil & Gas	Premier Oil	-	Doubtful	Doubtful	-	-	-	-	-
	BP	Doubtful	Real	-	Real	-	-	-	Real
Technology	ARM Holdings	Real	Real	Real	Real	-	-	-	-
	Computacenter	-	Unreal	-	Doubtful	-	-	-	-
Telecommunication	BT Group	Doubtful	Real	Doubtful	Doubtful	-	-	Real	Unreal
	Carphone Warehouse	Doubtful	Real	Doubtful	Real	Doubtful	-	-	-
Utilities	Centrica	Real	Doubtful	Doubtful	-	-	-	Doubtful	-
	Severn Trent	Doubtful	-	Doubtful	Doubtful	-	-	-	-

4.1 4.1. Examples of 'Real' Ontological Status

Of the six companies assigned a *real* ontological status, two were actively involved in Health and Related activities (Smith and Nephew and Unilever); three were actively involved in the furtherance of Education and the Arts (Carillion, Rolls Royce and ARM Holdings) while ARM Holdings, in addition to Educational Activities, is also actively involved in community projects together with Tesco. Below are examples of relevant excerpts on Educational Activities from ARM Holdings' annual reports:

Excerpt 1:

Our efforts include sponsoring promising students at a number of universities and, in September 2000, we began to sponsor a new four-year MEng degree at Loughborough University. ... It is our belief that in partnering with universities we are helping to train the next generation of innovative engineers, some of whom will come to work at ARM. ... We nurture the skills and creativity of the next generation through our close links with leading universities... We work with the university to select first-year students, support them throughout their degree course and give them summer jobs. (ARM, 2001:7 and 12)

Excerpt 2:

In 2005 ARM continued as a sponsor of the Prince's Trust Technology Leadership Group and has participated in events targeted at widening the knowledge and understanding of technology and contributed expertise to the technology networking events. ... The Group supports the Engineering Education Scheme, Young Engineers and contributes to the funding to train the UK team for the International Maths Olympics. ARM's University Programme engages universities worldwide, designing course material, providing technical seminars, donating equipment and software and offering assistance directly to students. (ARM, 2005:21)

Excerpts 1 and 2 extracted from the ARM Holdings' 2001 and 2005 annual reports respectively are examples of real commitment to community development in the area of education. The generative process of signification is clearly evident in these stories. The stories contained *seeming* evidence of the company's awareness of the need for young engineers and its commitment to meeting this need. The stories tell of the company's commitments to sponsoring engineering students through their university education by working with universities. Students are picked from year one and sponsored through their education. Future targets in the development of engineers included providing work placements for student engineers by giving the students summer jobs and/or a job in ARM after completion of their degree, thus supporting all four propositions. In 2005, a further development was reported through the company's support of the Engineering Education Scheme and collaboration with universities.

4.2 Examples of 'Doubtful' Ontological Status

The *doubtful* status was assigned to CCI considered to be *real* in one time period but assigned a status other than *real* in the second time period. What this implies is that it is not really clear what the intentions of these companies are in these reports. The implication of being actively involved in one time-period and relapsing into inaction in another time-period could be twofold. Firstly, it could be that the company was actively involved in that area of development in a particular time period because that was the need of the community at that time. Once that need had been met the company moved on to another area of development. Or the company had only just become aware of its responsibility within its community of operation or the company only became involved as a way of demonstrating good corporate citizenship as a means of enhancing its reputation. Examples of relevant excerpts on community projects from Prudential Plc annual reports are given below.

Excerpt 3:

In 2000 our businesses around the world contributed £2 million towards a wide range of community and arts programmes, including the following examples: ... Prudential Property Investment Managers Ltd (PruPIM), is running the Pru Youth Action Shopping Centre Programme, in partnership with Crime Concern. This is moving from strength to strength and now has 10 centres participating in the current phase with plans to bring on a further three centres during 2001. PruPIM shopping centres are also actively involved with the development of the New Deal Retail Routeway, a retail training scheme for the unemployed.

Employee Volunteering: We marked the Millennium with ‘£200 for 2000’, rewarding over 800 employee volunteers with a £200 grant for their chosen community organisation. Following the success of this, we are running ‘TimeGivers’ an international employee volunteer reward programme for 2001. ... Across the UK businesses, staff are volunteering in local schools to support numeracy hour, information technology classes and projects focusing on the development of key skills. (Prudential, 2000: 27)

Excerpt 4:**Investing in our communities**

In 2005, we invested £4.7 million in a wide range of projects around our business, supporting education, welfare and environmental initiatives. This total includes the significant contribution made by many of our people around the Group through volunteering, often linked with professional skills development. It also includes direct donations to charitable organisations of £3.5 million. (Prudential, 2005: 34)

Excerpt 3 was assigned the *true* veridictory status for both pairs of propositions and thus classified as *real* ontological status for that year. The first part of the story tells of Prudential’s involvement in a youth programme and retail training activities for young people, indicating a seeming awareness of the need to encourage youth engagement to prevent them from becoming involved in crime. Future targets are also implied in the development of a retail training scheme for young people. Similarly, the second story tells of how Prudential encourages employee volunteering in schools and other community projects. There is an implied awareness of shortages of personnel in these areas and the fact that Prudential’s staff was able to make up these shortages by volunteering. The story also tells of further targets and developments in encouraging more employees volunteering.

However, in 2005 Prudential’s report on community investments was assigned the ontological status of *doubtful* as the veridictory status for the story was *secret* for the first pair of propositions and *false* for the second pair of propositions (appendix 2). While the 2005 story tells of how much was invested in a wide range of projects, it does not indicate a seeming awareness of any particular need nor does it explain targets and plans for future developments. Also, the story line deviated from the narrative in the previous time-period. Stories in other years of this time period (2005 – 2009) were presented in a similar fashion and indeed repetition of some texts was also noted. Therefore a juxtaposition of the two time periods resulted in an overall ontological status of doubtful in this area of CCIs. Hence, signification of real involvement in community development in the area of community projects is doubtful.

4.3 Examples of ‘Unreal’ Ontological Status

CCIs classified as *unreal* were those with any status other than *real* in both time periods. Below are examples of relevant excerpts from BTG’s annual reports.

Excerpt 5:

... we strive to work with charities and organisations that are either in some way local, or of interest to BTG employees. Each year, in the UK, BTG also selects a charity to sponsor, which is chosen by an annual ballot of employees. Employees are encouraged to organise money-raising activities for

the charity throughout the year; reasonable use of BTG time and facilities is allowed. (BTG, 2004:21)

Excerpt 6: From BTG's Annual Reports, (2009, p.30):

We support charities and organisations that are either relevant to our area of work or are local to business activities and operations and we encourage our employees to participate in fundraising events for our designated charities. A main focus of our charitable giving initiatives involves proactive engagement with sustainable development initiatives. ... We operate a Give As You Earn ('GAYE') Scheme in the UK. This enables employees to efficiently donate so money that would normally be given in tax goes to their chosen charity instead. A new GAYE scheme will be launched in the coming year, following the identification of a more cost-effective service provider. 2010 Targets: Launch the new Give as You Earn ('GAYE') Scheme in the UK to provide a more efficient mechanism for employees to give to their charity of choice. (BTG, 2009:30)

Excerpts 5 and 6 are typical examples of CSRs that signify no real commitment to developmental programmes. Most reports classified as unreal are very similar to this. No specific activity is disclosed, rather the story tells of donations to charities of choice. There are no utterances of *being* or *doing*, that is, no evidence of awareness of specific needs and no target and plan for future development is mentioned. Such companies only give details of charities that benefited from their donations, thus creating an image bank of their philanthropic activities.

4.4 The CSR Semiotic Model

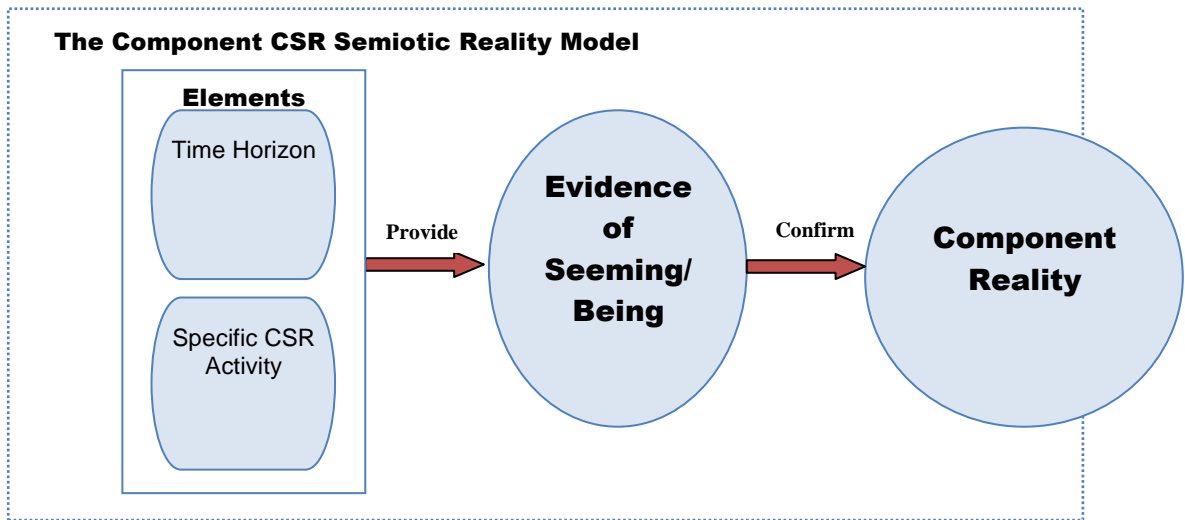
The above results of the study's semiotic analyses and the discussion based upon them point in the direction of a workable model that is capable of guiding corporations in their CSR activities and disclosure/reporting. It will also be useful to other stakeholders, particularly advocates and beneficiaries of CSR activities, such as the local community, to assess the reality of corporations' claims to being socially responsible and responsive.

The two-part model addresses the ways in which each CSR activity of an organisation can be examined (The Component CSR Semiotic Reality) as well as how the results of each CSR component's reality can be combined to obtain the organisation's Aggregate CSR Semiotic Reality. Figure 5 below shows the process of verifying the reality of a particular CSR activity group or unit of analysis such as community projects. This activity group (as shown in the element section of Figure 5) will be analysed within a specific time horizon (usually the relevant accounting period, the 12 months covered by the annual report and accounts). The analysis of this activity group will then be based on evidence obtained from the organisation's annual report in relation to the following:

- The organisation's awareness of and concern for the community as evidenced by the specific community needs identified ^[5]
- Activities involved in actually meeting the needs of the community
- Demonstrating planned efforts for the future
- Identifying links between past activities, present actions and future plans

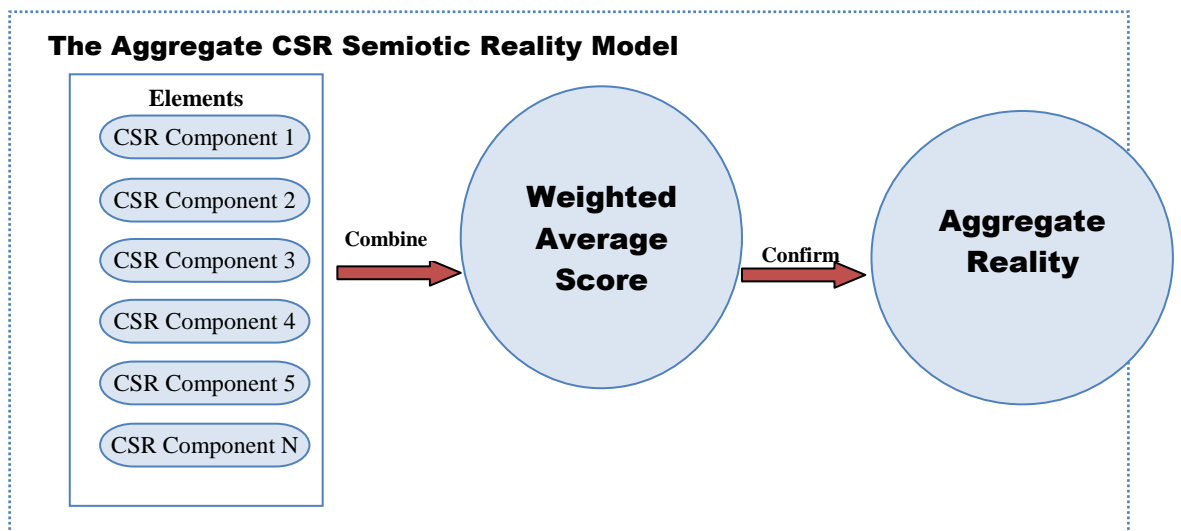
The strengths of the foregoing model will then finally determine the semiotic reality of each CSR component (unit of analysis). Furthermore, a percentage value can be assigned to this final component reality based on the strength of the four points in the model. The percentage value assigned to each final component reality will facilitate trend analysis of the organisation's performance in this particular CSR area over a period of time. Such analysis will be useful to both the organisation and its stakeholders. While the former can monitor its progress in CSR activities, the latter will be able to use it to make important economic and social decisions.

Figure 5 – The Component CSR Semiotic Reality Model



In addition, each component reality score (percentage) can be converted into decimals (see the element section of Figure 6) in order to work out a weighted average score to determine the aggregate CSR semiotic reality (ACSR). Again, the ACSR can be compared across different accounting periods (for the same organisation) or between organisations operating within the same business environments.

Figure 6: The Conception of the Aggregate CSR Semiotic Reality Model (ACSR Model)

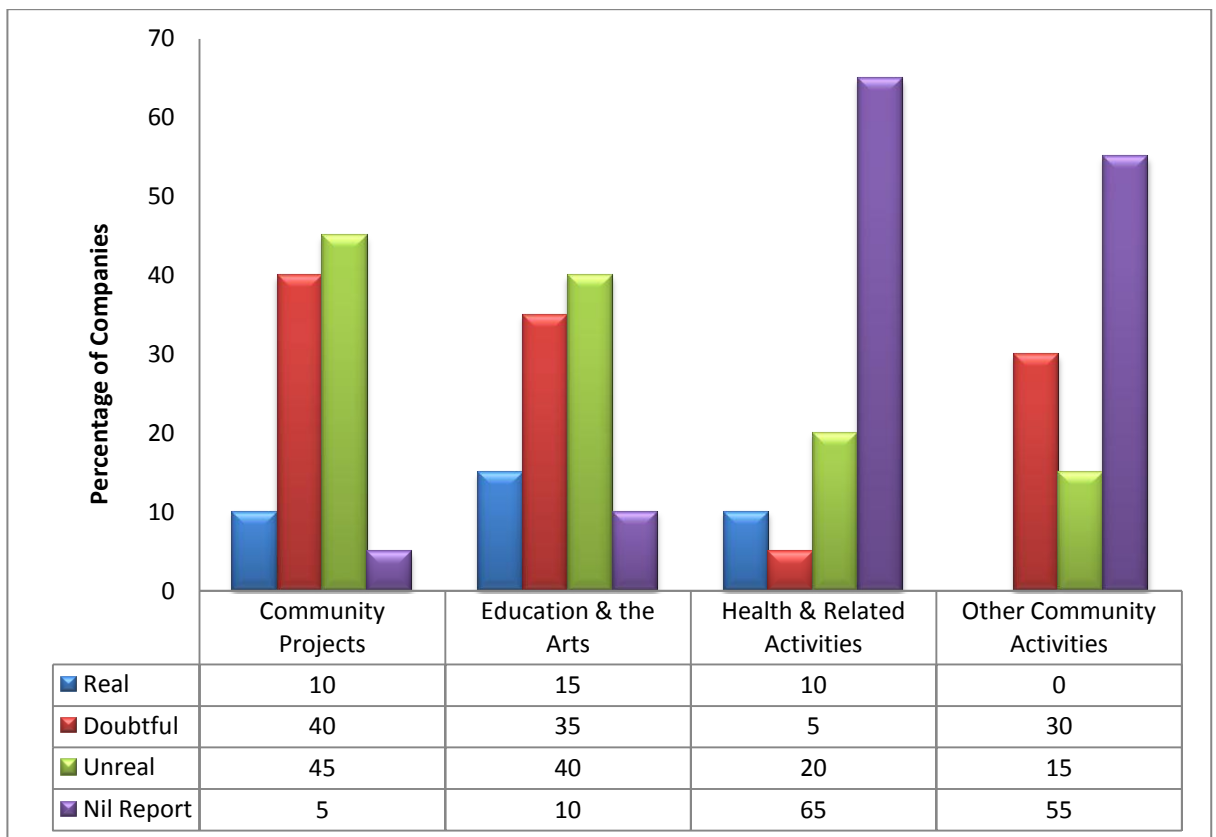


5 Summary and Conclusion

This paper argues that reality might better be construed when the texts of CSR activities are subjected to semiotic analysis. In an attempt to prove this, the authors selected CCI, one of the regular CSR themes, as a unit of analysis. Given the mythological nature of the reports, the authors employed the Greimasian Canonical Narrative Schema in the analysis, while the semiotic square of veridiction was used as an evaluative tool to determine the ontological status

of each semiotic act. Figure 7 below presents a graphical summary of the results. Most companies in the sample disclosed involvement in community projects and/or education and arts sponsorship. Only a few companies disclosed health and related activities and other CCI such as sponsorship of sporting activities. Of those that reported involvement in community projects, only 10% could be said to be actually committed to community projects: most of the reports only gave details of their benevolent giving. 40% of the reports had doubtful ontological status, while 45% of the reports were classified as unreal. Similarly, of all reports on education and the arts, only 15% could be classified as real, 35% as doubtful and 45% as unreal. Moreover, most educational sponsorships are tailored towards increasing the skill levels of employees and, hence, take more of an inward-looking approach. This implies that some companies are only committed in certain areas of CCI because it reflects their area of expertise or need.

Figure 7: Ontological Classification of CCID in Annual Reports



The use of semiotics in this paper as well as its conclusions led to the production of the CSR Semiotic Reality Model. This model could be used to enhance our evaluation of specific corporate disclosures in annual reports. The model could have far-reaching implications for accountants and top management as preparers of annual reports, auditors as their advisers, management theorists and the CSR world as a whole.

Firstly, it reinforces the importance of top management involvement in the preparation of social reports in order to ensure their quality and reliability. Since communication remains central to the production of annual reports, it is important that the top management adopts a pragmatic approach to disclosure practices in order to achieve effective communication. The emphasis should shift from managements' intention (behind the reports), to the sense the recipient is likely to make out of the information disclosed. This aspect of corporate

communication is bound to assume importance in the light of companies' pursuit of sustained corporate reputation. Therefore, since reporting social activities entails the generation, analysis, reporting and assurance of robust and accurate information, top management has a role to play in understanding the concept of social activities and the associated challenges and how this could be linked to achieving long-term growth in shareholder value. To this end, it is important that top management (probably through the internal audit) is involved in the design of guidelines for the collection and analysis of the data used for social disclosure so as to ensure the 'truth and fairness' of the information disclosed.

Secondly for auditors who provide assurance statements over the completeness and accuracy of the content of annual reports, the findings in this paper imply that the credibility of social and environmental reports should be improved upon by increasing the rigour of the assurance process. The inconsistencies in reporting are a pointer to the fact that auditors should extend their audit work to cover social and environmental issues. We propose that the independent auditors' report should express an opinion on the truth and fairness of the annual reports viewed as a whole and not only on the financial information since the annual reports encompass both financial and non-financial information. It is only then that the Financial Reporting Council (FRC) can achieve the views expressed in their discussion paper (FRC 2010, pp. 7 and 12) that "*the Annual Report should communicate high quality ... narrative and financial information to the market*" (p.7); and that "*investors need to have confidence in the integrity of the narrative and financial information they receive in the Annual Report*" (p.12).

Furthermore, the fact that most CCI reports semiotically analysed in this paper fall into the unreal ontological status reinforces the need for financial reporting and auditing regulators to play a role in ensuring that the statutory audit function is extended to the narrative contents of the annual reports if they must achieve their objectives of meeting the ever changing needs of users of annual reports. For example, in the case of CCI, audit work could cover such areas as the physical verification of CCI claimed in the reports and checking of the process of gathering the information disclosed. The findings also identify the urgent need for the inputs of the standard setters – the International Accounting Standards Board and the Financial Accounting Standards Board – to issue a social accounting or sustainability accounting standard in order to ensure standardisation in the quality and quantity of the data disclosed in the annual reports. This should not be left in the hands of private organisations such as the Global Reporting Initiative (GRI) and other non-accounting bodies as is currently the case. Since CSR reporting falls under the subject of accountability, there is the need for the accounting profession to become involved.

A possible limitation of this paper is the fact that the semiotic method of analysis can sometimes be perceived to be arbitrary. Its limitation lies in the fact that the criteria used in the analysis may be considered subjective and hence the findings may not be generalisable. In addition, the sample size is rather small and so valuable data from years not examined might have been missed. Nevertheless, in the current study the authors are convinced that the process of analysis is systematic and sufficiently rigorous and thus capable of being replicated by other researchers especially through a systematic application of the proposed model. Additionally, the findings are sufficient justification of the need for a "linguistic turn" in drawing meanings from corporate disclosures as argued by Macintosh and Baker (2002:185). As semiotics analysis interprets the text of the narratives from the perspective of the target audience, future research may be designed to explore whether different results would be obtained if the relevant corporation's personnel were interviewed directly to gain further insights into the original intentions and motives of the disclosures.

Notes

¹Italics are used for authors' emphasis

²The industry classification scheme adopted was that of the Industrial Classification Benchmark (ICB) structure and code index.

³The complementarities of the *being* and *seeming* meta-terms can be explained from the point of view of the relational values they possess. For instance, for a *being* to exist, there must be a *seeming* in operation, either at the beginning, midway or at the end, which may or may not match its *being*. In other words, according to Hébert (2011), "*being* is only an abstract reconstruction derived from *seeming*, which is the only accessible reality" (Hébert, 2011, p.51).

⁴To ensure that the real ontological status realistically holds, the researchers made efforts to go through all annual reports in the reporting period, and only selected those annual reports with sufficient information that could be analysed.

⁵The authors recognise the fact that some companies might not have indicated needs identified partly because they use general descriptors to describe the CSR they do undertake, and so specific needs may have been identified but just not described in details. Therefore, clarification on why some companies provide much more detailed analysis than others in their annual reports may require extensive interviewing of, for example, non-executive directors or report preparers.

Appendices

Appendix 1: List of Companies and Reported CCI for Semiotic Analysis

Sampled Companies	Annual Reports Year	Community Projects (Words)	Education & the Arts (Words)	Health & Related Activities	Other Community Activities	General Statement (Words)
Aquarius Platinum	2003	131	13	156	0	30
	2008	105	0	140	0	124
BHP	2004	0	0	0	0	155
	2009	155	0	0	0	365
British American Tobacco	2004	0	0	0	0	35
	2009	51	0	0	283	302
Unilever	2002	60	103	113	0	115
	2008	122	0	307	0	465
WPP	2001	0	202	0	328	246
	2006	365	149	176	0	240
Tesco	2002	469	45	0	28	131
	2006	190	372	101	115	508
Lloyds	2003	266	64	0	0	188
	2007	843	0	0	131	215
Prudential	2000	260	263	0	0	0
	2005	231	319	0	105	0
Smith &Nephew	2004	0	0	326	0	190
	2009	0	159	166	0	62
BTG	2004	210	0	0	0	0
	2009	180	157	36	0	51
Carillion	2003	95	137	0	67	137
	2009	195	68	0	0	255
Rolls Royce	2003	538	462	0	0	102
	2006	507	237	0	0	358
Premier Oil	2004	0	59	0	0	95
	2009	40	0	0	0	176
BP	2003	123	0	0	0	367
	2008	184	232	0	57	164
ARM Holdings	2001	53	227	0	0	0
	2005	210	264	0	0	78
Computacenter	2004	0	0	0	0	64
	2009	107	105	0	0	110
BT Group	2004	116	81	0	129	89
	2009	244	54	0	30	84
Carphone Warehouse	2003	231	59	182	0	217
	2008	467	240	0	0	284
Centrica	2003	899	228	0	33	112
	2009	96	0	0	0	146
Severn Trent	2003	527	369	0	0	44
	2005	0	530	0	0	138

Appendix 2: Example of Workbook for the Semiotics of CCI Narratives*

SN	Company Name	Year	Topics	Characteristics	Veridictory status	Ontological status
1	Aquarius Platinum	2003	Community Projects	P1a = seeming	TRUE	Doubtful
				P1b = being		
			Education & The Arts	P1a = seeming	TRUE	
				P1b = being		
			Health & Related Activities	P1a = seeming	ILLUSION	
				P1b = not-being		
	P2a = seeming	TRUE				
	P2b = being					
1	Aquarius Platinum	2008	Community Projects	P1a = seeming	ILLUSION	Doubtful
				P1b = not-being		
			Health & Related Activities	P1a = seeming	TRUE	
				P1b = being		
				P2a = not-seeming	FALSE	
				P2b = not being		
2	BHP	2004	General statements			
		2009	Community Projects	P1a = not-seeming	FALSE	Unreal
	P1b = not being					
	P2a = not-seeming	FALSE				
	P2b = not being					

*Contact the corresponding author directly on kyekini@dmu.ac.uk for details of other workbooks

References

- Adams, C. A. (2004) "The ethical, social and environmental reporting-performance portrayal gap" *Accounting, Auditing and Accountability Journal* 17(5), 731 – 757
- Aras, G., and D. Crowther (2009), "Corporate Sustainability Reporting: A Study in Disingenuity" *Journal of Business Ethics* 87, 279–288
- ARM Annual report and accounts (2001): pages 7 and 12, available at: <http://ir.arm.com/phoenix.zhtml?c=197211&p=irol-reportsannual> (accessed 6 February 2012).
- ARM Annual report and accounts (2005), page 21, available at: <http://ir.arm.com/phoenix.zhtml?c=197211&p=irol-reportsannual> (accessed 6 February 2012)
- Barthes, R., (1973), "*The pleasure of the text*" Translated by Le Seuil, Paris, Jonathan Cape, London
- Barthes, R., (1977), "*Introduction to the structural analysis of narratives, image, music, text*", Fontana Press, London, 79-124, translated by Heath, Stephen
- Beattie, V., McInnes, B., and Fearnley, S. (2004). A methodology for analysing and evaluating narratives in annual reports: a comprehensive descriptive profile and metrics for disclosure quality attributes, *Accounting Forum*, 28(3), 205–239
- Bebbington, J., C. Larrinaga and J. M. Moneva (2008). "Legitimizing reputation/the reputation of legitimacy theory". *Accounting, Auditing and Accountability Journal*, 21(3), 371-374
- Belkaoui, A., (1978) "Linguistic relativity in accounting" *Accounting, Organisations and Society*, 3(2), 97-104
- Belkaoui, A., (2004) "*Accounting Theory*" (5th Ed) Thomson Learning, Cornwall, UK
- Bell, E., S. Taylor and R. Thorpe. (2002) "Organisational differentiation through badging: Investors in people and the value of the sign". *Journal of Management Studies* 39(8), 1071- 1085
- Beretta, S. and Bozzolan, S., (2004) "A framework for the analysis of firm risk communication" *The International Journal of Accounting*, 39(3), 265-288
- Beretta, S., and S. Bozzolan. (2008) "Quality versus quantity: The case of forward-looking disclosure" *Journal of Accounting, Auditing and Finance* 23(3), 333-375
- Botosan, C. A., (2004) "Discussion of a framework for the analysis of firm risk communication" *The International Journal of Accounting*, 39(3), 289–295
- BTG Plc Annual Report (2004) page 21 available at: <http://www.btgplc.com/investors/reports-and-accounts/archive> (accessed 6 February 2012)
- BTG Plc Annual Report (2009). "It's all adding up" page 30 available at: <http://www.btgplc.com/investors/reports-and-accounts/archive> (accessed 6 February 2012)
- Burgh-Woodman, H. and Brace-Govan, J. (2008) Jargon as imagining: Barthes' semiotics and excavating subcultural communication. *Qualitative Market Research: An International Journal*, 11(1), 89-106
- Burritt, R. L., and Schaltegger, S. (2010) "Sustainability accounting and reporting: Fad or trend?" *Accounting, Auditing and Accountability Journal* 23(7), 829-846

- Campbell, D. J., Geoff, M. and Philip, S. (2006). "Cross-sectional effects in community disclosure." *Accounting, Auditing & Accountability Journal* 19(1): 96-114
- Chandler, D. (2007), *Semiotics: The Basics*. Routledge, London.
- Cho, C. H., Roberts, R. W. and Patten, D. M., (2010) "The language of US corporate environmental disclosure" *Accounting, Organisations and Society*, 35(4), 431-443
- Cooper, C. and Puxty, A., (1994), "Reading accounting writing", *Accounting, Organisations and Society*, 19(2), 127-46
- Cooper, M. C., Dimitrov, O. and Raghavendra, R., (2001), "A rose.com by any other name" *Journal of Finance*, 56(6), 2371-2388
- Cooper, S., and Owen, D. (2007) "Corporate social reporting and stakeholder accountability: The missing link". *Accounting, organisations and society*, 32(7-8), 649-667
- Corea, S., (2005) "Refocusing systems analysis of organisations through a semiotic lens: Interpretive Framework and Method". *Systemic Practice and Action Research*, 18(4), 339-364
- Crowther, D. (2002) *A social critique of corporate reporting: A semiotic analysis of corporate financial and environmental reporting*. Aldershot, England: Ashgate Publishing.
- Crystal, D. (1987). *The Cambridge Encyclopaedia of Language*. Cambridge: Cambridge University Press
- Davison, J. (2007), "Photographs and accountability: Cracking the codes of an NGO", *Accounting, Auditing and Accountability Journal*, 20(1), 133-158.
- Davison, J. (2011), "Barthesian perspectives on accounting communication and visual images of professional accountancy" *Accounting, Auditing and Accountability Journal*, 24(2), 250-283
- De Villiers C. and C.J. van Staden (2010) "Shareholders' requirements for corporate environmental disclosures: A cross-country comparison" *British Accounting Review* 42(4), 227-240
- Eco, U. (1976) *A theory of semiotics*. Bloomington, IN: University of Indiana Press.
- Eco, U. (1994) *Apocalypse postponed* (Ed. Robert Lumley) London: BFI/Bloomington: Indiana University Press.
- Ernst and Ernst, (1978), *Social Responsibility Disclosure, 1978 Survey*, Ernst & Ernst, Cleveland, OH
- Feldman, M. S., Skoldberg, K., Brown, R. N. and D. Horner (2004) "Making Sense of Stories: A Rhetorical Approach to Narrative Analysis". *Journal of Public Administration Research and Theory*, 14(2), 147-170
- Fiol, C. M., (1989) "A Semiotic analysis of corporate lananguage: Organisational boundaries and joint venturing". *Administrative Science Quarterly*, New York University, 34(1989), 277-303.
- Floch, J. (1988). "The contribution of structural semiotics to the design of a hypermarket" *International Journal of Research in Marketing*, 4(1988), 233-252.
- FRC (2010) "*Effective company stewardship: Enhancing corporate reporting and audit*" A publication of the Financial Reporting Council, London UK

- Freedman, M. and Stagliano, A. J. (1992) "European unification, accounting harmonization, and social disclosures" *The International Journal of Accounting* 27(2), 112-122.
- Freedman, M. and Stagliano, A. J. (1995) "Disclosure of environmental cleanup costs: The impact of the Superfund Act" *Advances in Public Interest Accounting*, 6: 163-176.
- Freedman, M. and Stagliano, A. J. (2008) "Environmental disclosures: Electric utilities and Phase 2 of the Clean Air Act." *Critical Perspectives on Accounting* 19(4): 466-486.
- Gilbert, K. R. (2002) "Taking a narrative approach to grief research: Finding meaning in stories". *Death Studies, Brunner-Routledge* 26, 223-239
- Gray, R., Kouhy, R. and Lavers, S. (1995a) "Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure." *Accounting, Auditing and Accountability Journal* 8(2), 47-77
- Gray, R., Kouhy, R. and Lavers, S. (1995b) "Methodological themes: Constructing a research database of social and environmental reporting by UK companies", *Accounting, Auditing and Accountability Journal*, 8(2), 78-101.
- Greimas, A. J. (1983 [1966]). *Structural Semantics*. Lincoln, NB: University of Nebraska Press.
- Greimas, A. J., and Courtés, J. (1982) *Semiotics and language: An analytical dictionary*, Bloomington: Indiana University Press
- Guthrie, J., Petty R., Yongvanich K and Ricceri F. (2004) "Using content analysis as a research method to inquire into intellectual capital reporting" *Journal of Intellectual Capital* 5(2), 282-293
- Guthrie, J. and Parker, L.D. (1990) "Corporate social disclosure practice: A comparative international analysis", *Advances in Public Interest Accounting*, 3, 159-175
- Guthrie, J., Johanson, U., Bukh, P.N. and Sánchez, P. (2003), "Intangibles and the transparent enterprise: New strands of knowledge", *Journal of Intellectual Capital*, 4(4), 429-440
- Hackston, D. and M. J. Milne (1996). "Some determinants of social and environmental disclosures in New Zealand companies." *Accounting, Auditing & Accountability Journal* 9(1): 77-108.
- Hancock, P., (2006) "The spatial and temporal mediation of social change" *Journal of Organisational Change Management* 19(5), 619-639
- Hasseldine, J., A. I. Salama and J.S. Toms: (2005). "Quantity versus quality: The Impact of environmental disclosure on the reputation of UK Plcs. *The British Accounting Review* 37(2), 231-248.
- Hawkes, Terence (2004) *Structuralism and Semiotics*, 3rd Ed. Routledge, New York ISBN 0415-29116-X
- Hébert, Louis (2011) "*Tools for text and image analysis: An introduction to applied semiotics*" Translated from the French version by Julie Tabler, version 3:2011. Available at <http://www.signosemio.com/documents/Louis-Hebert-Tools-for-Texts-and-Images.pdf> (accessed 24 August 2011).

- Ho, S.S.M. and Wong, K.S. (2001) "A study of the relationship between corporate governance structures and the extent of voluntary disclosure" *Journal of International Accounting, Auditing and Taxation*. 10(2), 139-156
- Hooks, J. and C. J. van Staden, (2011) "Evaluating environmental disclosures: The relationship between quality and extent measures" *The British Accounting Review* 43, 200–213
- ICB (2009) Industry Classification Benchmark (ICB) Universe, *Release 4.0*, June 2009 (Ed)
- Jakobson, R. (1960) "Closing statement: Linguistics and poetics". In Sebeok, Thomas A. (Ed.), *Style in language*, John Wiley, New York, 350-377.
- Joutsenvirta, M. & Uusitalo, L., (2010), "Cultural competences: An important resource in the industry–NGO dialog", *Journal of Business Ethics*, 91, 379–390
- Kameda, N., (2005) "A research paradigm for international business communication" *Corporate Communications*; 10(2), 168-182
- Lévi-Strauss, C. (1972): *Structural anthropology* (translated by Claire Jacobson and Brooke Grundfest Schoepf). Harmondsworth: Penguin
- Lindblom, C. K. and Ruland, R. G. (1997) "Functionalist and conflict views of AICPA Code of Conduct: Public interest vs. self-interest" *Journal of Business Ethics* 16, 573–582
- Macintosh, N. B., (2003) "From rationality to hyperreality: Paradigm poker" *International Review of Financial Analysis*, 12, 453–465
- Macintosh, N., Shearer, T., Welker, M. and Thornton, D., (2000) "Accounting as simulacrum and hyperreality: Perspectives on income and capital". *Accounting, Organisations and Society*, 25(1), 13–50
- Macintosh, N.B. and Baker, C.R. (2002), "A literary theory perspective on accounting: towards heteroglossic accounting reports", *Accounting, Auditing & Accountability Journal*, 15(2), 184-222
- Maddox, D. (1989). Veridiction, verifiction, verifactions: Reflections on methodology. *New Literary History, Greimasian Semiotics*, 20(3), 661-677
- McGoun, E.G., Bettner, M.S. and Coyne, M.P. (2007), "Pedagogic metaphors and the nature of accounting signification", *Critical Perspectives on Accounting*, 18(2), 213-230
- Otubanjo, B. O. and Melewar, T.C., (2007) "Understanding the meaning of corporate identity: A conceptual and semiological approach" *Corporate Communications: An International Journal* 12(4), 414-432
- Preston, L.E. (1975) "Corporation and society: The search for a paradigm." *Journal of Economic Literature* XIII (June): 434-453
- Propp, V. I. (1958) *Morphology of the folktale* (trans. Laurence Scott, 2nd Ed). Austin: University of Texas Press.
- Prudential Plc Annual Report* (2000), page 27 available at <http://www.prudential.co.uk/prudential-plc/investors/financialreports/> (accessed 2 December 2012).

- Prudential Plc Annual Report* (2005) “A growth business with strong momentum” page 34 available at <http://www.prudential.co.uk/prudential-plc/investors/financialreports/> (accessed 2 December 2012).
- Saussure, F. (1983 [1916]). *Course in general linguistics* (trans. Roy Harris). London: Duckworth
- Sulkunen, P., and Torronen, J. (1997) “The production of values: The concept of modality in textual discourse analysis” *Semiotica*, 113(1/2), 43-69
- Toms, J.S., (2002) “Firm resources, quality signals and the determinants of corporate environmental reputation: Some UK evidence” *British Accounting Review* 34(3), 257–282.
- Walden, W. D. and Schwartz, B. N., (1997) “Environmental disclosures and public policy pressure” *Journal of Accounting and Public Policy*, 16, 125-154
- Wood, D.J. and Jones, R.E. (1995), “Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance”, *The International Journal of Corporational Analysis*, 3(3), 229-267.
- Yekini, K. and Jallow, K. (2012) “Corporate community involvement disclosures in annual reports: A measure of corporate community development or a signal of CSR observance”? *Sustainability Accounting, Management and Policy Journal*, 3(1), 7-32
- Yusoff, H., and Lehman, G. (2009), “Corporate environmental reporting through the lens of semiotics”, *Asian Review of Accounting*, 17(3), 226-246

Further Readings

- Morris, C. W. (1946): *Signs, Language and Behaviour*. New York: Prentice-Hall
- Saussure, Ferdinand de ([1916] 1983): *Course in General Linguistics* (trans. Roy Harris). London: Duckworth
- Sebeok, Thomas A. (1977): *A Perfusion of Signs*. Bloomington: Indiana University Press
- Sebeok, Thomas A. (1994): *An Introduction to Semiotics*. London: Pinter [an introduction to Thomas Sebeok]