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Issues in Corporate Social and Environmental Reporting Research: An Overview

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Abstract

This paper provides an analysis of some relevant issues in corporate social and environmental reporting (CSER) research by way of review of relevant literature. Issues in the following two main areas of CSER research are identified: the methodologies used to capture empirical data on CSER; and how to theoretically interpret the trends of CSER. An overview of these issues is provided and some clues to understand what is at stake are offered. We argue that the choice of methods used to collect empirical data on CSER depends upon the context in which the organisations operate and the purpose of the study to be made. Because of the large array of factors affecting companies' decisions to engage in social responsibility activities and disclosure, the use of multi-theoretical frameworks is proposed.

Keywords: *annual reports, corporate social and environmental reporting, economic theory approaches*, *Internet, social and political theories*.

1. Introductory remarks

The acknowledgement of corporate social responsibility (CSR) implies the need to recognize the importance of disclosure of information on companies' activities related to such responsibility. The concept of social accountability, which only arises if a company has social responsibility (Gray et al., 1996: 56), concerns both the responsibility to undertake particular actions or refrain

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from doing so and provide an account of such actions (Gray et al., 1996:38).

Corporate social and environmental reporting (CSER) has been broadly 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) It seeks to reflect several social and environmental aspects upon which companies' activities have an impact: employee related issues, community involvement, environmental concerns, other ethical issues, etc. CSER refers to the disclosure of information about companies' interactions with society.

CSER is not a new phenomenon. CSER in corporate reports can be traced to the beginning of the twentieth century (see, for example, Guthrie & Parker, 1989; Maltby, 2004). However, it is possible to consider that it has emerged as an important subject only in the 1960's (Epstein, 2004). Following a period of decline in the 1980's, there has been a resurgence of social disclosure and auditing. This resurgence was associated initially with the prominence of corporate environmental disclosure. This is a more recent phenomenon that emerged mainly in Europe and the USA in the 1990's. More recently, the prominence of CSER seems to be related to sustainability reporting, which addresses simultaneously the economic, environmental and social dimensions of corporate performance (KPMG, 2005).

It is possible to identify some contentious issues in two main areas of CSER research: the methodologies used to capture empirical data; and how to theoretically interpret the trends of CSER. This is a research-method oriented paper. It provides a document to serve those who wish to do research in the CSER area. First, it offers a brief overview of the issues mentioned above in which they are identified and some clues to understand what is at stake are given. Second, this paper is also useful as a source of reference for those interested in doing research in the area as it mentions a fairly up-to-date list of CSER studies. In the following section, the issues pertaining to methodological aspects of CSER research are explored. In the third section, the main theoretical frameworks used are presented. Finally, some concluding remarks are offered.

2. Methodological issues

There are two kinds of methodological issues surrounding research into CSER, related to the sample selection and to data capture. Among the latter kind of issues, those related to the selection of the media to use as the basis for data capture and the methodologies employed for data collection are particularly relevant. These issues are discussed below.

2.1. Sample selection

The choice of samples used in CSER studies usually has been based on company size, analysing the documents produced by large companies (see, for example, Adams et al., 1995, 1998; Gray et al., 1995a, 1995b; Guthrie & Parker, 1990; Hackston & Milne, 1996; Neu et al., 1998). However, there are other possible approaches, such as the selection of "interesting" or "best practice" examples, or the selection of large, medium and unlisted companies (Gray et al., 1995b: 87).

There are good reasons to use a sample of large companies when studying CSER (Gray et al., 1995b 88): it is more likely to capture more CSER and identify innovative examples; as a large number of other studies use large companies samples, its use means greater potential for comparability of results with previous studies; it is easier to obtain the annual reports from large companies. An additional reason to use a sample of large companies is that they are more likely to have a web page that provides CSER: these sites are nowadays important sources of data (Freedman & Jaggi, 2005).

2.2. Data capture

2.2.1. *Media to use as the basis for data capture*

Many studies of CSER use annual reports as the only source for gathering data on social responsibility information disclosure. Annual reports are just one source of information. All forms of data reaching the public domain can be considered to be part of a company's accountability discharge activity and, hence, annual reports, stand-alone reports, advertising and house magazines, can also be seen as vehicles of social accountability (Gray et al., 1995b: 82).

In practice, it is impossible to monitor all forms of communication about the CSR. But there are other good reasons to focus on the disclosures made in annual reports. First, the annual report is the main corporate communication tool, which represents a company and is used widely. Some authors consider that the annual report is probably the most important document in terms of the way an organisation constructs its social imagery to all stakeholders (Gray et al., 1995b: 82). Moreover, the annual report is considered to possess a degree of credibility not associated with other corporate communication media (Neu et al. (1998: 269).

Annual reports are statutory documents, required to be produced on an annual basis by all companies, thus allowing comparisons to be made. Some evidence indicates that annual reports are used widely to disclose social responsibility information and the dominant source of information used by a number of stakeholder groups interested in social and environmental impacts of companies (Deegan & Rankin, 1997).

Particularly over the last decade, companies have begun to use other disclosure media, such as discrete reports (environmental reports, social responsibility reports, sustainability reports, etc.) and the Internet (Frost et al., 2005: 89). The development of the Internet has been considered "pertinent to further development of social accounting" (Epstein, 2004: 16). Studies analysing the Internet as a tool for communicating with stakeholders and a CSER medium have been growing in recent years (see, for example, Campbell & Beck, 2004; Frost et al., 2005; Patten & Crampton, 2004; Williams & Pei, 1999). More recently, some authors have begun to analyse CSER through three disclosure media (annual reports, discrete reports and web pages) (see, for example, Frost et al., 2005).

The benefits of the Internet for communicating information to stakeholders over traditional communication channels are related substantially to the possibility of disseminating more information less expensively and in a more timely fashion, and to its interactive nature (Williams & Pei, 1999). One important aspect which can be regarded as a limitation of the Internet when compared with annual reports is the proximity of the narrative material in the annual report to the audited financial statements. The fact that the auditors must read such material gives it a degree of credibility that other media can not claim to have (Neu et al., 1998: 269), including the Internet.

2.2.2. Methodologies employed for data collection

Content analysis is the dominant method used to examine CSER in annual reports (see, for example, Gray et al., 1995b; Hackston & Milne, 1996; Milne & Adler, 1999; Unerman, 2000), corporate web pages (see, for example, Patten & Crampton, 2004; Williams & Pei, 1999) and stand-alone reports (see, for example, Frost et al., 2005).

Content analysis can be defined as a research technique "that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity." (Abbott & Monsen, 1979: 504) It relies on the assumption that the extent of disclosure (either the number of times an item is disclosed, or the amount of space devoted to disclosure) provides some indication of the importance of an issue to the reporting entity, and to derive an indication of the meanings, motivations and intentions of the communicator (Gray et al., 1995b: 89).

Quantifying disclosures

Different "units of analysis" can be used when codifying qualitative information into quantitative format (i.e. coded data). Disclosure themes can be used as a unit of analysis, giving information on the number of different items of CSER present on the documents studied, or frequency of disclosures. However, most studies use one or a combination of words, sentences or pages as the unit of analysis, giving information on the volume or amount of disclosure.

The simplest form of content analysis consists of detecting the presence or absence of social responsibility information, where at least one information item needs to be disclosed under each category (see, for example, Frost et al., 2005; Haniffa & Cooke, 2005; Magness, 2006). Although it allows to capture the "variety" of disclosures (Haniffa & Cooke, 2005: 405), one of the main shortcomings of this form of content analysis is that it does not allow measurement of the extent of information disclosure and, therefore, the coded data do not reflect the emphasis that companies attach to each information item (Zéghal & Ahmed, 1990: 42). However, some authors believe that analysis of the frequency of disclosure themes and changes in disclosures over a period of time is sufficient to reflect the importance of a disclosure (Burritt & Welch, 1997: 8).

If an unweighted scoring approach is used, disclosure scores for each company can be added and not weighted, the assumption being that each item of disclosure is equally important. It does not allow analysis of the quality or completeness of the information provided. It merely recognizes that the company has provided some information on the relevant issue (Frost et al., 2005). While using two disclosure indexes based on two weighting schemes (equal weights, assigning a one to each item, and unequal weights), Freedman & Jaggi (2005: 223) recognize the equal weight method is simple and avoids controversies.

Several different methods have been used by previous studies to measure volume of CSER, including:

- number of sentences disclosed (see, for example, Deegan et al., 2002; Deegan et al., 2000; Hackston & Milne, 1996; Milne & Adler, 1999; Walden & Schwartz, 1997; Williams, 1999; Williams & Pei, 1999);
- pages or proportion of pages (see, for example, Adams et al., 1995, 1998; Gray et al., 1995a, 1995b; Guthrie & Parker, 1989, 1990; Kuasirikun & Sherer, 2004; Newson & Deegan, 2002; Patten, 1991, 1992; Unerman, 2000);
- number of words disclosed (see, for example, Brown & Deegan, 1998; Campbell, 2003, 2004; Campbell et al., 2003, 2006; Deegan & Rankin, 1996; Haniffa & Cooke, 2005; Neu et al., 1998);
- lines (Belal, 2001; Trotman & Bradley, 1981).

Number of pages as a measure of disclosure is often criticized because it does not consider different page sizes, font sizes, margin sizes (Hackston & Milne, 1996: 84). Number of words is said to cause difficulties due to different styles of writing, as is also the case with number of sentences (Cowen et al., 1987: 117; Unerman, 2000: 675).

The advantages of sentences are in overcoming the problems related to font, margin or page size, in not needing to standardise words, in obtaining more reliable inter-rater coding (Hackston & Milne, 1996: 84-86), and in allowing more detailed analysis of specific issues and themes (Deegan et al., 2002: 322). However, measuring CSER in terms of number of words, sentences or lines precludes measurement of photographs and graphics (Unerman, 2000: 675-676).

Quantity vs. quality of disclosure

Content analysis has been criticised because the measures used consider quantity and not quality of disclosure. However, this limitation has been deemed acceptable by Campbell (2000: 87). Some authors believe that distinguishing between qualitative and quantified (monetary and non-monetary) disclosures provides some indication of the quality of disclosures (Gray et al., 1995b: 84), because numerical information is believed to be more useful than descriptive information on a company's social and environmental impact.

Some previous research placed a heavy weighting on quantitative disclosures (see, for example, Aerts et al., 2006; Al-Tuwaijri et al., 2004; Bewley & Li, 2000; Cormier & Magnan, 2003; Cormier et al., 2004; Freedman & Jaggi, 2005; Warsame et al., 2002; Wiseman, 1982). However, some authors consider that weighting systems imply some kind of bias towards social responsibility of a financial kind (Burritt & Welch, 1997: 9).

A distinction between the types of news (for example, "good", "bad" or "neutral") can also provide some indication of the quality of disclosures (Gray et al., 1995b: 84). However, Bewley & Li (2000: 206) deliberately avoided such a distinction due to its subjectivity. For example, "capital expenditures for pollution control may be 'good' news for corporate environmental stakeholders but may represent cash outflow with no expected economic benefit from a shareholder's perspective." (Bewley & Li, 2000.: 221n)

3. Issues of theoretical interpretation

Different theoretical perspectives about the motivations for companies to disclose social responsibility information have been used to interpret empirical evidence. In an influential review of the CSER literature, Gray et al. (1995a) divided much of the extant research into the following three categories: decision usefulness studies, economic theory studies, and social and political theory studies.

3.1. Decision usefulness approaches

The basic line of argument for the decision usefulness approaches is that companies release information on their social responsibility activities because users find it useful for their investment decisions. Milne & Chan (1999) identified three types of decision usefulness studies: survey, market reaction and experimental studies. The "survey" studies concentrate mainly on undertaking surveys of potential users of the information (see, for example, Buzby & Falk, 1979; Epstein & Freedman, 1994; Deegan & Rankin, 1997). Other studies focus on studying the market reaction to CSER (see, for example, Belkaoui, 1976; Ingram, 1978; Jaggi & Freedman, 1992; Mahapatra, 1984). "Experimental" studies assess the impact of social responsibility information on investment decision-making (see, for example, Milne & Chan, 1999; Chan & Milne, 1999).

3.2. Economic theory approaches

Some prominent economic theory approaches rely on the positive accounting theory of Watts & Zimmerman (1978) which suggests that government regulation is a political cost to companies. Positive accounting theory is based on the assumption that economic agents are rational and will act in an opportunistic manner to maximize their wealth. Individuals are driven by self-interest (tied to wealth maximisation). Based on such views, Ness & Mirza (1991: 212) argue that "managers will disclose social information only if it increases their welfare, that is, when the benefits from the disclosure outweigh the associated costs."

When defining political costs, Watts & Zimmerman (1978: 115) specifically referred to "social responsibility campaigns in the media" as one of the possible actions that companies take to avoid the adverse attention that high profits draw. These actions are done to reduce the likelihood of adverse political actions and expected costs. Companies attempt to avoid potential pressure from government regulatory agencies which enforce CSR through CSER (see, for example, Belkaoui & Karpik, 1989).

More recently, some studies have adopted an information economics perspective to analyse CSER (see, for example, Bewley & Li, 2000; Cormier & Gordon, 2001; Cormier & Magnan, 2003, Li et al., 1997). These studies suggest that companies may disclose social responsibility information in a strategic fashion, with disclosure decisions being influenced by the risk of the company being affected adversely by third parties, who can use information disclosed by the company to its disadvantage.

Bewley & Li (2000) and Li et al. (1997) examine environmental disclosure through the lens of voluntary disclosure theory. Proprietary costs are taken into account to explain the reluctance of managers to disclose voluntary information. Companies withhold the information that could be used by third parties (such as competitors who can, for example, change their production plans) and cause a decrease in future cash flows. Proprietary costs arise due to the existence of proprietary information, that is, private information which can be used by third parties to inflict costs upon the company. For example, some environmental information can be used to damage a company's competitive position (see, for example, Li et al., 1997: 441).

Cormier & Gordon (2001) and Cormier & Magnan (2003) examine social responsibility information disclosure within a costs/benefits framework, considering both information and proprietary costs. According to such perspective (Berthelot et al., 2003: 6):

- on the one hand, managers may refrain from disclosing information if they perceive that investors do not need it or can easily find it from alternative sources, and
- on the other hand, they may choose to minimize the disclosure of information if it can lead to proprietary costs through actions against the company by third parties, such as regulators or lobby groups.

A few recent studies also draw upon the resource-based views in management research to analyse the economic potentials of CSR and disclosure (Toms, 2002; Hasseldine et al., 2005). One of the advantages of these perspectives regarding other economic theories is that they allow the researcher to concentrate on what managers are actually doing to create heterogeneous resources to sustain competitive advantage in the form of enhanced reputation, rather than on what they are trying to avoid happening (for example, political costs) (Hasseldine et al., 2005: 233).

3.3. Social and political theories

Under the social and political theory group one might include three overlapping perspectives: stakeholder theory, legitimacy theory and political economy theory. In contrast to the decision usefulness and economic theory approaches, these theories take a systems perspective, recognising that companies influence, and are influenced by, the society in which they operate. Gray et al. (1995a: 67) argue that different approaches within social and political theories should be seen not as competitive explanations but as "sources of interpretation of different factors at different levels of resolution."

3.3.1. Political Economy Theory

Political economy theory suggests "that the economic domain cannot be studied in isolation from the political, social and institutional framework within which the economic takes place." (Gray et al., 1995a: 52) Therefore, economics, politics and society are thought to be inseparable and should all be considered in accounting research.

Following Gray et al. (1995a: 52-53), two political economy theories have been distinguished. The classical variant of political economy theory views CSER as part of an attempt to legitimise not only individual companies within the capitalist system but the system as a whole (see, for example, Adams et al., 1995; Adams & Harte, 1998).

Proponents of the bourgeois variant of political economy theory argue that disclosure can only be explained in relation to the socio-political environment within which companies operate. In general, CSER is considered to be a function of social and/or political pressure, and companies facing greater social/political pressures are believed to provide more extensive CSER. CSER is seen as a response to competing pressures from various stakeholders such as governments, employees, environmental groups, customers, creditors, suppliers, the general public and other social activist groups. Stakeholder theory and legitimacy theory are identified as two overlapping perspectives derived from the bourgeois variant of political economy theory.

3.3.2. Stakeholder Theory

Stakeholder theory is based on the notion that companies have several stakeholders, defined as "groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions" (Freeman, 1998: 174), with an interest in the actions and decisions of companies. Stakeholders include in addition to shareholders, creditors, employees, customers, suppliers, local communities, government, interest groups, etc.

Two variants of stakeholder theory can be identified (Gray et al., 1996: 45-46; Deegan, 2002: 294). The first variant, which Deegan (2002) designates as ethical (or normative), holds that all stakeholders have the right to be treated fairly by a company. This view is reflected in the Gray et al. (1996) accountability framework, which argues that the company is accountable to all stakeholders to disclose social responsibility information.

The second variant, which Deegan (2002) designates as managerial (or positive), explains CSER as a way of managing the company's relationship with different stakeholder groups (see, for example, Roberts, 1992; Ullman, 1985). Ullmann (1985) suggested that CSER is used strategically to manage relationships with stakeholders. Stakeholders are considered as having varying degrees of power or influence over a company, the importance being associated with control of resources. The more important (influential or powerful) the stakeholders are to the company, the more effort will be made to manage the relationship.

Roberts (1992) was probably the first author using the framework developed by Ullmann to test CSER practices empirically. He found that stakeholder power, strategic posture and economic performance are related significantly to levels of CSER and that CSER is used by managers as a proactive method of managing stakeholders and their organisational environment.

About managerial stakeholder theory,

and relating it to political economy theory discussed above, one can say that it is "explicitly bourgeois in that the world is seen from the perspective of the management of the organisation who are concerned strategically with the continued success of the company" (Gray et al., 1995a: 53). The same can be said of legitimacy theory, which is discussed below. These two theories hold that CSER is made for strategic reasons and such motivation is in clear contrast with the motivation envisaged by the ethical stakeholder theory which accepts the responsibility to disclose information to those who have a right to it.

3.3.3. Legitimacy Theory

Legitimacy is defined by Suchman (1995: 574) as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions." Nowadays companies need to do more than just provide economic benefits, such as profits, wages and employment, and comply with the law to be considered as legitimate within the society in which they operate. It has become necessary for them to act and be seen acting within the bounds of what is considered as acceptable according to the values and norms of society.

It is necessary to distinguish between legitimacy and legitimation: whilst legitimacy can be considered as a "condition or status", legitimation is a process engaged in by companies to take them to such state (Brown & Deegan, 1998: 23). A process of legitimation may be engaged in by a company either to "gain or to extend legitimacy, to maintain its level of current legitimacy, or to repair or to defend its lost or threatened legitimacy." (O'Donovan, 2002: 349).

If one recognizes that society is made up of various groups having different views of how companies should conduct their operations and unequal power or ability to influence their activities, a change of focus from society to those groups who are able to influence a company's legitimacy, either granting or withholding it, is warranted (Deegan 2002: 295). These key stakeholders have been designated by proponents of legitimacy theory as "relevant publics" (Buhr, 1998; Neu et al., 1998) or "conferring publics" (O'Donovan, 2002).

Legitimacy requires a reputation that must be retained, that is, it requires a company to convince its relevant publics that its activities are congruent with their values. Issues such as industrial conflict, social and environmental incidents, fraudulent or unethical management behaviour may threaten corporate legitimacy. However, a company can lose legitimacy even though it does not change its activities, either due to changes in the composition of its relevant publics or changes in their values (O'Donovan, 2002: 348). If a company is seen to lack legitimacy then, at best, profits are short-term. This occurs because if a company is perceived by stakeholders not to comply with their expectations, those stakeholders may withdraw the support needed to ensure its continued existence (Deegan, 2002).
Companies are supposed to have activities which are congruent with social values and also to communicate that their activities are congruent with such values. These are the two dimensions in a company's efforts to gain, maintain or

repair legitimacy, identified by Buhr (1998: 164): action, that is, congruence of the company's activities with social values; and presentation, that is, appearance of congruence with social values. Legitimacy can be at risk even when a company's activities accord with society's expectations because the company has failed to communicate that its activities are congruent with social values. Moreover, companies can attempt to "achieve legitimacy by appearing to do the 'right things' or not be involved in doing the 'wrong things' when this appearance may have little in common with a company's actual" performance (Buhr, 1998: 165).

From such a perspective, CSER is seen as one of the strategies used by companies to seek acceptance and approval of their activities from society. It is seen as an important tool in corporate legitimation strategies, as it may be used to establish or maintain the legitimacy of the company by influencing public opinion and public policy. Legitimacy theory suggests that CSER provides an important way of communicating with stakeholders, and convinces them that the company is fulfilling their expectations (even when actual corporate behaviour remains at variance with some of these expectations).

Guthrie & Parker (1989) did not find conclusive evidence of disclosure linking corporate and social values in a longitudinal study of an Australian company (Broken Hill Proprietary Company, Ltd.). However, a majority of the empirical literature which tested LT tends to lend it support.

Some studies found that the occurrence of particular events is followed by changes in the level of CSER, thus lending support to legitimacy theory. Companies disclose information in the wake of particular incidents such as an environmental disaster (an oil spill or gas explosion) that puts the companies in the spotlight (see, for example, Patten, 1992; Deegan et al., 2000; Walden & Schwartz, 1997). Other studies used legitimacy theory to explain changes in disclosure around the time of exposure to legal proceedings (Deegan & Rankin, 1996), fines (Warsame et al., 2002) or privatization operations (Ogden & Clarke, 2005). The relationship between media exposure of certain industries and disclosure has also been explored from a legitimacy theory framework (Brown & Deegan, 1998). Other studies examined one single company over time (see, for example, Buhr, 1998; Deegan et al., 2002) finding supportive evidence of legitimacy theory. Some authors use textual analysis in case studies (Moerman & Van Der Laan, 2005). Finally a large array of studies used a variety of proxies for the public exposure of companies, such as size, industry type, profitability, media exposure, membership of pressure groups (see, for example, Adams et al., 1998; Campbell, 2003, 2004; Campbell et al., 2003; Cormier & Magnan, 2003; Mobus, 2005; Newson & Deegan, 2002; Neu et al., 1998; O'Dwyer, 2003; Patten, 1991; Wilmshurst and Frost, 2000) obtaining more or less supportive evidence of legitimacy theory.

4. Discussion and concluding comments

Although CSER and CSR performance are two very different things, only in specific types of empirical studies it is possible to separate the analysis of CSER from the analysis of CSR performance. It is very difficult to determine whether social performance data disclosed by companies are under-reported or over-reported. On the other hand, there is evidence suggesting that CSER reflect impression management rather than accurate disclosure.

In this respect, Epstein (2004: 4) argues that "increased social disclosures may have improved corporate accountability but may not have improved social and environmental performance." But even the accountability credentials of voluntary corporate CSER is questioned by authors, such as Adams (2004), who contend that there is a reporting-performance portrayal gap, which is made visible by comparing voluntary CSER with information from other, more independent, sources. Voluntary disclosure that is subject to considerable discretion by management is cited as a reason for such gap. Voluntary CSER can be seen as a communication mechanism through which companies try to comply with pressures to conform to socially acceptable norms. In many cases, real performance is not accompanied but rather substituted by disclosure.
Nonetheless, to analyse CSER corresponds also, at least partially, to analyse CSR. CSER is likely to be associated in some ways with social performance. Companies which have more reason to have a good social performance will also have more activity to describe and thus their disclosure may be higher (Campbell et al., 2006: 102).

Regarding the question of the methods to choose in order to collect empirical data on CSER, the authors of this paper believe that it is all a question of the context in which the organisations operate, and the purpose of the study. For example, if the study one wishes to make is about the value relevance of CSER, then it is appropriate to place a high weighting on quantitative disclosures. In other cases, it will probably be adequate not to introduce a bias towards social responsibility of a financial kind by using such method.

As to the quantification issue, it is always preferable to use a method which allows the measurement of the extent of information disclosure, thus reflecting the emphasis that companies attach to the information disclosed. This applies in particular to the case of longitudinal studies, especially if one is analysing the CSER practices of one single company over time. However, given the higher degree of subjectivity involved in using these methods, if the use of an index allows a proper detection of variation between companies' disclosure (and this is the objective of using the method), then it is adequate.

The theoretical issues are particularly contentious. Findings which are interpreted as being consistent with one particular theory might, in most cases, be interpreted using a different theoretical perspective. For example, Berthelot et al. (2003: 118) argue that findings that seem consistent with legitimacy theory explanations may be interpreted also in light of explanations put forward by other theories.

Based on a legitimacy theory framework, Patten (1991) used company size and industry affiliation as proxies for public pressure. He analysed the relationship between CSER and the two public pressure proxies and, in addition, profitability. The public pressure variables were found to be significantly associated with CSER in his study, whereas profitability was not. Given that size (see, for example, Belkaoui & Karpik, 1989) and industry (see, for example, Ness & Mirza, 1991) are also factors that positive accounting theorists have used to test the political cost hypothesis, some argue that the findings associated to relations with the level of CSER probably "are not an adequate basis on which to distinguish between the two positions" (Milne, 2002: 383).

However, the arguments presented to explain such association differ. For example, according to positive accounting theory, large or highly profitable companies are seen as vulnerable to political interference. These companies use several strategies to reduce their political exposure, including social responsibility programmes.

The social visibility argument used by legitimacy theory is different. Particular companies, especially those which are large or operate in socially-sensitive industries, are seen as more exposed to pressures from social activist groups that seek socially responsible behaviour. Socially visible companies are seen as responding to such challenges by using several legitimation strategies, which may include CSER, to manage public impressions and reduce their exposure to the social and political environment.

As emphasised by Hibbitt (2004: 9), "as with all research in the social sciences, including economics and accounting, 'truth' is a matter of meta-theoretical belief not empirical fact." This fact leads to an almost total impossibility of asserting "with absolute authority which particular theoretical perspective offers the more convincing explanation." (Hibbitt, 2004) Thus, it is important to recognize that it remains a matter of subjective belief as to which of the possible theoretical explanations is the more acceptable (Hibbitt, 2004: 415).

Even if the researcher is inclined to use social and political theories due to a matter of personal belief, some additional questions arise. For example, although legitimacy theory has been recently considered as the dominant theory in the CSER research (Hoogiemstra, 2000: 55), social and political theories, particularly legitimacy and stakeholder theories, should be considered as complementary rather than alternative or opposite (Gray et al., 1995a: 52). According to Campbell et al. (2003: 559) legitimacy theory may be conceived as "a subsidiary theory of the stakeholder metanarrative in that a number of constituencies are recognized" that "takes a more descriptive view of how a company addresses and deals with those constituencies."

Because many factors affect companies' decisions to engage in CSR activities and disclosure, such as financial performance, stakeholders' pressure, public exposure and social concern, it is probably advisable to recognize that no single theory is sufficiently comprehensive to explain all these factors. Thus, to understand why companies engage in CSR activities and disclosure it is necessary to integrate different theoretical perspectives. This much has been acknowledge in recent studies which adopt multi-theoretical frameworks (see, for example, Cormier et al., 2005).

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