AN EXAMINATION OF CSR DECOUPLING IN PAKISTAN:

A RESEARCH JOURNEY THROUGH TIGHT

AND LOOSELY COUPLED ENVIRONMENTS

A thesis presented in partial fulfilment of

the requirements for the degree of

Doctor of Philosophy

School of Management

Massey University, Manawatu

New Zealand

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2020

ABSTRACT

The literature on CSR has been debated among organisational scholars not only for its benefit to society and the environment but also its positive influence on business and organisations. Research suggests that strong government, markets and civil society are also necessary conditions for businesses to behave in a socially responsible way. However, due to its focus on developed economies limited contextual knowledge has emerged, especially that from developing countries. Within this latter context there is a lack of understanding of how businesses use reporting to create an impression of social responsibility while masking their actual performance, suspected to be the result of a weak institutional environment.

By drawing on (neo)-institutional theory this research addresses this theoretical gap, demonstrating that CSR policies and practices are shaped by their embeddedness in the prevailing institutional environment. More specifically, this research explores questions related to CSR reporting, practice, and the decoupling between CSR rhetoric and actual performance in Pakistan.

The research design comprised a multi-methodological approach using data quadrangulation. First, quantitative content analysis of 29 listed companies was conducted, drawing longitudinal data from publicly listed annual reports (2001, 2006, 2011 & 2017 – five-yearly intervals) to understand the extent of CSR reporting in Pakistan. Second, in-depth semi-structured interviews were conducted with 23 respondents comprising of CSR/sustainability managers, national regulators, and members of CSR promoting institutions in the country. Third, the originality of reports was examined using Turnitin^{TM} and TinEye^{TM}. Finally, a discourse analysis of text and related images in reports was conducted to describe, interpret and explain contextualised meanings of language used.

The results show that CSR, as perceived by many stakeholders actually has limited understanding and currently few benefits in Pakistan. The drivers identified for CSR policies and practices were found to be significantly different from that studied in the developed world. Additionally, unique instances of widespread decoupling are highlighted in the form of the lack of originality in texts, and the use of digitally manipulated images in CSR reports, thereby, suggesting that such behaviour is deliberate. The research makes important theoretical and methodological contributions to the nexus of business and society in a developing country, especially one suffering from a weak institutional environment.

ACKNOWLEDGEMENTS

To Fazal Ur Rehman (literally translated to bounty of the Merciful One) – my grandfather who is a visionary and a very progressive man of his time and space. I wish you a long and healthy life.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF EXHIBITS

CHAPTER 1 INTRODUCTION

1.1 Overview

With corporate social responsibility (CSR) reporting now commonplace, it is opportune to further develop theoretical and methodological perspectives that accurately explain, anticipate and assist in reducing corporate abuse. This research contributes to the understanding of CSR decoupling, using multi-methods in a developing country – notably the context of Pakistan. Decoupling between CSR reporting and actual performance is explored by way of a series of studies, each of which have been published.

1.2 Journey from tight to loose coupling – motivation of research

New Zealand and Pakistan, surprisingly, have similar corporate regulations (the common foundations are influenced by British law). However, the extent to which CSR is perceived and practiced in both countries is completely different. This observation influenced the development of the research questions both theoretically and empirically. That decoupling was observed in Pakistan on enormous scale simply adds to the curiosity, and importantly provides a context within which to examine the institutions, their influence and or failure. So, if we are to start exploring a country ranked highly across multiple metrices, we not only observe coupling but we also observe *tight reporting* – suggesting that institutions are strong, and they provide the means for coupling. Considering the enormous power of business to change individual lives for better *or* worse, an important research agenda for organisational researchers is to investigate the widespread and entranced deceptive CSR decoupling within weak institutional environments.

As the reporting of corporate social responsibility (CSR) has become increasingly common, scholars across business, society and policy disciplines have developed instigating analyses of how international standards, social movements and national institutional arrangements promote these new responsibilities. Much of this inquiry has focused on deceptive communication, where businesses are caught saying one thing and doing another, exemplified by the Volkswagen emission scandal and British Petroleum's (BP) legacy in the Gulf of Mexico. Such fragmentation between supposed organisational commitment to social responsibility on the one hand, and the involvement in organisational wrongdoings and damaging business practices on the other, have threatened organisational legitimacy, and, the development and maintenance of trust in the eyes of broader stakeholder groups. Although there are some businesses that actually implement their CSR programmes, however, others symbolically adopt reporting and hence decouple from the technical core of the organisation (Fiss & Zajac, 2006). Such decoupling results in formal compliance that is similar to window dressing, hypocrisy, and merely symbolic gestures which are designed to appear righteous to regulators, and external stakeholders for obtaining legitimacy despite underlying performance of organisation being poor (Khan, Lockhart, & Bathurst, 2019; MacLean & Behnam, 2010).

While previous studies have largely focused on businesses in developed countries, little research has assessed the pervasiveness of the decoupling between CSR reports and actual practice in developing countries. More so, because businesses in developing countries face complex institutional conditions which ultimately leads to different manifestations of CSR (Jamali & Karam, 2018). For instance, the deadly collapse of Rana Plaza in Bangladesh in 2013 (Jacobs & Singhal, 2017); child labour in Pakistan (Khan, Munir, & Willmott, 2007); and, the Tianjin chemical explosion in China in 2015

(Wu, 2018), among others, are examples of gross corporate irresponsibility despite the worldwide diffusion of CSR. Considering the unique nature of corporate misconduct in developing countries, this research explores the heightened institutional environment that allows for CSR rhetoric in the absence of action. However, despite the increasing interests in CSR research in developing countries, there is no systematic study that explains how CSR is understood, reported and practiced in Pakistani context. Hence, it is important to understand what is happening with CSR practice in Pakistan where there is *heavy CSR reporting*? To unbundle this broad question into sub-questions, this research first explores the *why* and *how* of CSR reporting, in addition to the *why* and *how* of CSR practice in the country. Later, it explains how the weak institutional environments drive businesses to engage in CSR decoupling. In such a milieu, it is critical that researchers develop appropriate theoretical models and methodological approaches that not only explain but contribute to the prediction of the pervasiveness of decoupling between the reporting and practice of CSR, that in turn help in abridging the gap between talk and the walk of CSR in such contexts.

In particular, the starting point for this inquiry is an early comparative study demonstrating that Pakistani companies report more on CSR and sustainability initiatives than those in New Zealand, a comparative analysis of select corporates amidst similar industries (Khan, Lockhart, & Bathurst, 2018b). The finding of the study is counterintuitive to the institutional theory's notion that strong institutions result in better manifestation of CSR. This result was in itself intriguing and introduces the broader concept of decoupling. Importantly, it also reinforces the validity of the theoretical lens adopted for this study. New Zealand has a strong institutional framework that is both multi-layered and multi-dimensional. It also follows a relatively relaxed regulatory paradigm. Pakistan by contrast, under a similar system of jurisdiction

has quite the opposite. It is this contrast that not only motivates the study but also validates the findings. The results of this comparison then led to examine the originality of a sub-sample of six Pakistani company annual reports contained in the study using Turnitin ^{TM} and TinEye^{TM}.

1.3   Broader theoretical perspectives

One aim of the research is to enhance the knowledge of the conditions that determine the relationship between the activities of organisations and broader environmental pressure. A common notion is that organisations must maintain harmony with their external environment through elements of their structure. However, organisation theory cautions that attempts to achieve fit with the external environment can either prevent or destroy internal consistencies. These perspectives include; agency theory (Jensen & Meckling 1976), transaction cost economics (Williamson, 1975), resource dependence theory (Pfeffer & Salancik, 1978), population ecology theory (Hannan & Freeman, 1977), and institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), among others. These perspectives are based on ideas from various disciplines in social science, such as sociology, economics, political science, and social psychology each of which delimit the conditions under which such organisation-environment incompatibilities arise. Each of these theoretical perspectives are pertinent for CSR research.

Agency theory argues that managers are agents of shareholders (principals) who have divergent interests; therefore, the shareholders must monitor the managers through their proxies (such as, directors) and incentivise them to act in best interests of the principals. Agency theory offers some important insights for studying CSR. Some shareholders may have interests in CSR that may go counter to the interests of managers

while other principals may have interest in the short run therefore, the managers must be aware of managerial opportunism. Hence, according to agency theory's perspective CSR outlook of an organisation can be significantly affected by the conflict between the interests of the agent and principal. As such, CSR can be used as an opportunity to extract personal outcomes from an organisation by the incumbents (Petrenko, Aime, Ridge, & Hill, 2016).

According to transaction cost economics, businesses evaluate total economic cost for an activity before attempting to decide on engagement. Businesses will, therefore, consider pursuing CSR if two conditions are met. First, businesses will indulge in CSR when the following are financial and strategic benefits of such actions are clear. Second, the processes and technologies associated with reporting and implementation of CSR initiatives will increase the likelihood of their adoption. King (2007) argues that transaction cost economics goes beyond the economic transaction to understand the specific transactional and cooperation problems raised by the interplay of business and society issues. King highlighted the issues between businesses and their non-economic stakeholders (NGOs, governments and activists) by using theoretical insights from transaction cost economics theory. These costs were comprised of three components; the costs of identifying cost related to issues of identifying stakeholders in relation to broader society and environment; the costs of negotiating, agreements with these stakeholders, and the costs of monitoring and enforcing these agreements.

Resource dependence theory contends that organisations are constrained by their external relationships. Therefore, managers try to reduce the power others have over them and try to increase their own power over others. As a corollary, a business' ability to be socially responsible is constrained when it depends on others. Additionally, there are limited resources in the environment and a business cannot have all the required

resources; therefore, it must over time learn to forbear and trust if they are going to coexist. Resource dependence theory has been frequently used to study working conditions that remain a serious problem in suppliers' facilities in developing countries (Soundararajan, & Brown, 2016).

The main assumption of population ecology is that organisations emerge, evolve and die in response to changes in the environment. Population ecology encompasses a range of different theoretical streams, such as organisational founding, organisational morality (which further studies niche-width theory, liability of smallness, liability of newness and resource partitioning), density dependence and population dynamics. The theory offers many important insights for studying CSR. For instance, new organisations and organisational forms will emerge that are more open to responsible initiatives. Moreover, other stream studies organisations that do not adopt CSR initiatives may die or selected out of population. Generally, longitudinal studies are helpful that start from inception of organisations and examine whether or to what extant population density of organisations may be affected by CSR initiatives prevalent in the industry (Salimath, & Jones, 2011).

These theoretical perspectives, in addition to others (such as, structural contingency theory, resource-based view, social network theory, and critical management studies) offer interesting insights for understanding CSR. Additionally, some researchers have combined these perspectives to uncover further rich and complex ways in which organisations go about CSR. However, each of these perspectives have been criticised for the provision of a universalistic lens to study organisational responses and behaviour (agency theory, for example). By contrast, institutional theory primarily focusses on the national institutional environment and perception and practice of CSR at country level. Institutional theory has "a situated stance instead of normative one

that has carried forward critical observation of social phenomena – through the application of a reflexive perspective onto a constituted, constructed social order" (Drori, 2020, p. 7). That is, institutionalist's reflexivity as opposed to being objective, is profoundly situated, and studies phenomena in relation to their social context (Drori, 2020). Therefore, institutional theory is adopted as a more appropriate theoretical perspective not only for initial comparative institutional study (Chapter 5) but also the later studies of contextualised understanding of CSR reporting, CSR practice and the CSR decoupling.

Similarly, in contrast to the prevailing view that the organisation-environment relation is tightly or densely coupled, elements in organisations are often tied together loosely as highlighted by Karl Weick. Loose coupling is a useful theoretical framework for organisational analysis and was first used as a basis for organisational theory by Weick (1976). Coupling refers to the relationships and connections between organisational structure and organisational practices. Orton and Weick (1990) define loose coupling as patterns of action that are separate or distinct from each other. However, these patterns still respond to each other in some fashion. In consideration of various kinds of couplings (Weick, 1979) and their formation process, Meyer and Rowan (1977) identified loose coupling (such as, decoupling) disparity between organisational structure and core activities where structure is determined by external institutional pressures for conformity and actions are determined by efficiency measures.

Institutional theorists (Meyer & Rowan, 1977) propose that organisational structures are types of myth and ceremony associated with work activities. Work can then be viewed as being decoupled or loosely coupled from the structures of the institutional environment. That loose couplings preserve organisational legitimacy

through the reduction of incompatibilities amidst organisation-environment relationship, has been central to organisational analysis for understanding institutional processes and mechanisms (Hallett, 2010). Recent debates now focus on how organisations comply in symbolic and ceremonial ways with their macro-institutional ideals to achieve legitimacy. As a result, organisations are able to decouple practices from policies to stay efficient and survive.

Despite longstanding calls to study the elements that inhibit decoupling (Hensel & Guérard, 2019; Orton & Weick, 1990; Sauder & Espeland, 2009), there still remains little evidence on when, why and how decoupling occurs (de Bree & Stoopendaal, 2018; Hallett & Ventresca, 2006; Khan, Lockhart, & Bathurst, 2019). Researchers now recognise the growing influence of external environmental forces on businesses (Aharonson & Bort, 2015; Basu, Dirsmith, & Gupta, 1999) including regulation (Heese, Krishnan, & Moers, 2016; Scott, 2014), and the pursuit of legitimacy (Suchman, 1995; Suddaby, Bitektine, & Haack, 2017). Others believe that decoupling occurs not because it is functional for an organisation but because it serves the interests of their CEOs (Westphal & Zajac, 1998, 2001). Organisations may use decoupling to extend justifications and plausible excuses in instances where violation of institutional norms are revealed (Elsbach & Sutton 1992). How decoupling occurs (Tilcsik, 2010) and what happens to the organisations after such manoeuvres has been also started to be espoused.

Although researchers have insights into why and how decoupling unfolds, this thesis departs from prior scholarship by approaching the relationship between environment and organisation in a wholly new context. As mentioned earlier, in addition to knowing why and to what extent businesses decouple, the research seeks to address the question as to why some institutional environments are more *decouplable*

than others. Drawing on the theoretical viewpoints in contemporary organisation studies, particularly neo-institutionalism in organisational activity, and specifically in corporate social responsibility, where organisations show symbolic compliance with institutionalised myths is explored.

This research can be viewed from the broader organisational theory perspective of symbolic management and decoupling (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Westphal & Zajac, 2001). More specifically, institutional theory offers insight on the struggle organisations face in dealing with conflicting internal pressures of efficiencies and external pressures of the legal and normative compliance. Accordingly, these conflicting pressures often lead organisations to adopt a formal structure that is different from actual practice (DiMaggio & Powell, 1991; Meyer & Rowan, 1977). According to Bowen and Aragon-Correa (2014), this symbolic behaviour refers to powerful, emergent, shared and relational meanings focusing on social and environmental practices of businesses. Organisations decouple when "they take visible actions that signal conformity with external expectations, such as formally adopting a particular program or policy, while simultaneously shielding the organisation's day-to-day operations from the impact of those policies" (Behnam & MacLean, 2011, p. 48). Additionally, decoupling is expected to be more pronounced in organisational fields engulfed with uncertainty, high transaction costs, limited regulatory and enforcement mechanisms, and pleuritic conflicting expectations (Greenwood & Hinings, 1996). Therefore, studying CSR decoupling in an environment where all of these exist ought to be fruitful. If CSR fails to deliver the promised benefits to environment and society, the concept will eventually become meaningless.

The ubiquity of CSR practice creates a scenario where businesses are expected to spend resources that can reduce profitability. The CSR performance of businesses have

come under scrutiny by national regulatory authorities and societal stakeholders

(KPMG, 2017; UNCTAD, 2011). To respond to these pressures, business turns to CSR

reporting to legitimise themselves (de Villiers & Alexander, 2014; Shabana, Buchholtz,

& Carroll, 2017; Tashman, Marano, & Kostova, 2019). In other words, CSR disclosure

helps businesses build trust with a wide range of stakeholders, highlighting transparency

about their social and environmental externalities (UNCTAD, 2011). However, there

are instances where businesses produce glowing CSR reports despite the performance

on social and environmental issues being poor (Higgins, Tang, & Stubbs, 2019). On

occasions business even exaggerates their CSR performance, resulting in CSR

decoupling.

Despite a wide stream of studies suggesting that CSR results in positive

organisational outcomes, businesses are found to be involved in decoupled CSR

(Graafland & Smid, 2019; Haack, Schoeneborn, & Wickert, 2012). Therefore, the

reporting of CSR is nothing more than window dressing (Banerjee, 2008), organised

hypocrisy, or of erecting façades (Cho, Laine, Roberts, & Rodrigue, 2015). It can also

be in the form of selective decoupling (Jamali, Lund-Thomsen, & Khara, 2017b;

Christopher Marquis, Yin, & Yang, 2017), where under the conditions of ambiguity and

uncertainty, elements of CSR are coupled with a focus to misleadingly present a

positive impression while continuing to decouple. Engaging in symbolic behaviour.

This behaviour of businesses is both confusing and intriguing, and espouses the

question as to whether CSR indeed serves its intended purpose, whereby businesses are

expected to weigh effects on environment and society alongside profitability. While

some research has embarked on these questions by examining CSR decoupling, these

answers are still poorly understood, especially in developing country contexts. The

studies contained in this thesis provide a thorough account of internal and external

legitimacy pressures that lead businesses to CSR reporting, CSR practices and CSR decoupling within the unique Pakistani context.

Having identified that decoupling is a complex phenomenon, with the concept continuing to suffer from methodological challenges hampering its development, I analysed how widespread and embeddedness of decoupling in Pakistan is carried out in this thesis using a variety of qualitative and quantitative methods. First, annual reports of listed companies are studied using quantitative content analysis to identify the extent of CSR reporting. Second, 23 in-depth semi-structured interviews with major stakeholders within the institutional field were completed in Pakistan. Third, discourse analysis of a sub-sample of the companies highlighted rhetorical elements in CSR reporting, and reinforced attributes of the context in which these reports are produced and interpreted. Two tools were used, in what is considered as a unique methodological application. Turnitin[TM] and TinEye[TM] to check aspects of originality in CSR reporting.

1.4 Research aim and overall objective

The overarching contribution of this thesis is to extend theorising on (neo)-institutional theory providing an in-depth context-specific analysis of CSR practice and its reporting in multiple ways. As a starting point, the comparison of CSR reports between New Zealand and Pakistan business provides evidence that the adoption of CSR policies and practices can be better understood by integrating both cultural and institutional perspectives. Cultural and values-based analyses are largely ignored by researchers in the field (Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010). The research also contributes to our understanding of institutionalisation of CSR reporting in Pakistan, highlighting the extent of these disclosures and how managers perceive them. Additionally, by directly engaging with a variety of stakeholder groups, the research

contributes to the identification of unique CSR dimensions, and provides a framework

for analysing different levels of institutional determinants to understand CSR in

Pakistan such as the what, how and importantly why of CSR in Pakistan. Finally, the

thesis adds valuable insights to contemporary research on the pervasiveness of CSR

decoupling both theoretically and methodologically in weak and non-enabling

institutional environments.

Specifically, the result of the earlier study (Khan et al., 2018b) that a selection of

businesses in Pakistan report substantially more than those in New Zealand led to the

exploration of CSR decoupling in Pakistan: which otherwise may have been a

conventional study based on comparative institutionalism. At first glance, this result

was both an intriguing and surprising result considering the fact that the two countries

are poles apart in the corruption indices produced by Transparency International (2017).

New Zealand is ranked first, being the least corrupt country in the world and has

maintained that position steadfastly for a decade. By contrast, Pakistan is currently

ranked 117th. Concurrently, Pakistani businesses are exposed to weak regulatory

enforcement; a lack of monitoring protocols; and, lack of assurance structure which

creates doubt over the credibility and the transparency of information reported.

Therefore, the research journey that started with a comparative institutional CSR focus

shifted to an in-depth analysis of decoupling in Pakistan. Figure 1.1 depicts each aim

and specific research question(s) and contributions each chapter delivers; and, how they

combine to answer the overarching objective of the thesis.
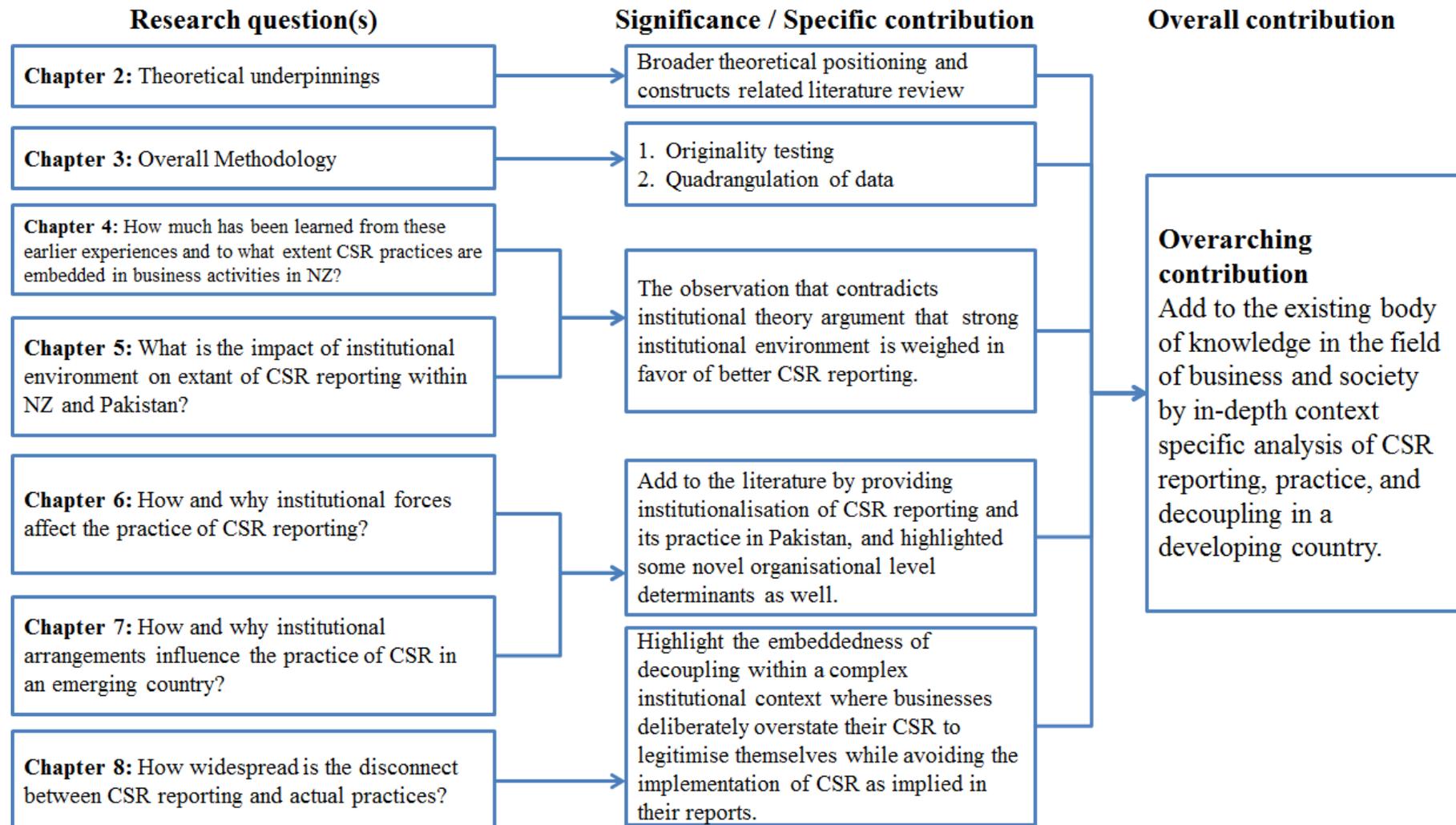
Figure 1.1 Overarching objective of the thesis.

1.5 Organisation of the thesis

The thesis is presented as a series of published (six) and yet to be published (2 under review) papers. The papers are then organised into a near linear order from a literature review (Chapter Two) to the synthesis of knowledge (Chapter Nine). This style of presentation emerged at a point in the research when tangible documents in the form of peer-reviewed conference papers, a book chapter and an early journal paper had been published. At that point the decision to proceed by way of Massey University's presentation in paper submissions form was produced, resulting in further successive journal reviews and publications.

The thesis is organised as follows: The next chapter, Chapter Two presents a critical review of literature on institutional theory and decoupling. An overview of CSR decoupling in the developing country contexts, bridges the transition to the case of Pakistan. The discussion in this chapter identifies institutional theory's critical potential and its relatively wide theoretical foundation for tackling mega issues such as CSR.

Chapter Three provides an explanation of the methodology and methods used in this research. The application of a multi-method data analysis and its utility for demonstrating complex problems like decoupling is discussed. The research uses quadrangulation, seeking alignment among four different quantitative and qualitative data sets.

Chapter Four presents an explanation of the current situation of CSR in New Zealand, including, corporate breaches, environmental laws, and CSR education at universities. This chapter provides the basis of the analysis that then follows.

Chapter Five explores the relationship between the institutional environment and CSR reporting in Pakistan and New Zealand. Despite having similar corporate

regulations, informal institutional differences between the two countries results in different expressions of CSR. This chapter provides the basis for the use of Turnitin[TM] and TinEye[TM] to check aspects of originality in CSR reporting and the subsequent emergence of decoupling.

Chapter Six examines the institutionalisation of CSR reporting in Pakistan using mixed methods. First, the chapter analyses the influence of industry type; regulatory pressures; the presence of CSR promoting institutions; business size; and, ownership on the extent of CSR reporting. Second, managerial perceptions on CSR reporting are explored. In so doing, the chapter extends the existing literature on the debate over accountability, regulation, international standards, sustainability and the influence or otherwise of other stakeholders by exploring organisational and external institutional drivers of CSR reporting in developing countries.

Chapter Seven analyses the what, why and how of CSR practices in relation to the institutional environment of Pakistan. Pakistani businesses are found to have a narrow understanding of CSR whereby, it is generally associated with charity and philanthropy. While evidence of external institutional environment on CSR practices is found, unlike the developed world, CSR is mainly driven by normative (family and religious traditions), and mimetic influences. In so doing, the chapter highlights the evidence of internal organisational factors that are important for the practice of CSR in Pakistan.

Chapter Eight assesses widespread CSR decoupling in a relaxed institutional environment. The gap between CSR reporting and actual practice is examined by conducting in-depth interviews and discourse analysis of a select reports. Additionally, originality checks on CSR reporting using Turnitin[TM] and TinEye[TM] are introduced. This chapter contends that CSR decoupling is entrenched within the weak institutional environment.

Finally, Chapter Nine discusses the theoretical and methodological contributions of the overall research. Additionally, it focuses on the practical implications for national regulators, managers and other stakeholders. The chapter closes by examining potential limitations of the analysis and highlights how this research relates to future agenda in the field of management and organisation.

CHAPTER 2 LITERATURE REVIEW

2.1   Overview

Aim of the chapter: Recent research identifies that businesses use CSR reporting to obtain legitimacy from their external stakeholders. However, less is known regarding CSR decoupling, especially in the context of developing countries. This chapter presents a brief review of relevant literature on institutionalism and decoupling. Additionally, the chapter explores institutionalised decoupling between CSR reports and actual practice in a developing country context. Institutional complexity, conflicting demands, the disparity between institutionalised demands and efficiency requirements, and fragile regulatory mechanisms are highlighted as the key drivers of decoupling in developing countries, particularly those in Pakistan.

Duplication: This chapter provides the *foundation* literature review and introduces the theoretical basis for the research. Readers are expected to encounter some overlap between institutional theory and developing country contexts as introduced in Chapter One.

Publication details: This paper was presented at the 35th European Group of Organisational Studies (EGOS) held at Edinburgh, United Kingdom. EGOS is a double-blind peer review academic conference attracting a global audience. A refined form of this Chapter has been submitted to the journal *Society and Business Review*. This Chapter is ranked as B on ABDC journal rankings. This Chapter includes materials in addition to that being presented at EGOS.

Appended as DRC 16: Massey University's publication contribution form is included as Appendix G.

2.2 Introduction

Institutional theory (IT) comprised of a wide sweeping set of perspectives consists of multiple traditions (Scott, 2008a). The central argument among all these traditions is that human actions are not ahistorical but are strictly rational. Old institutionalism is based on the work of Philip Selznick and Talcott Parsons that started in 1940s, whereby their work started gaining attention in 1960s and 1970s (Rowan & Miskel, 1999; Selznick, 1949; Selznick, 1996). The primary focus of old IT theories was to investigate the methods by which the formal structure of organisations is affected by the informal structures. In doing so, old IT primarily studied organisational strategies, groups conflicts and constraints placed by organisations on individual actors' behaviour. In other words, strategic actors who evaluate means in the pursuit of ends but their ability to choose means and ends is constrained by the individual, organisational and environmental factors (Cardinale, 2018). However, in the mid-1970s, old IT was criticised over many reasons, and these influences led to the prominence of new (neo)-institutional theory (NIT).

The renewed arguments of IT were formulated by Meyer and Rowan's ground-breaking article *Institutionalized Organizations: Formal Structure as Myth and Ceremony* in the year 1977 (for example, Meyer & Rowan, 1977; Zucker, 1977), and has made distinct impressions and contributions in organisation theory. For many years, organisational theorists have been seeking answers to the question why organisations adhere to the dominant practices in their interorganisational fields — such as, the prevalence of both isomorphism and conformity (Goodrick & Salancik, 1996). The idea of IT evolved by the study of San Francisco schools (Meyer & Rowan, 1977),

where formal structure (such as, bureaucratic rules) did not align with the work activities of schooling. This observation led to the question — if the structure does not address the actual practices, why do all organisation look so similar? The answer to this question initiated new thinking — structural similarities are the result of organisational efforts to conform to cultural myths that promote legitimacy are inevitable for survival.

Institutional analysis generally focusses on how rules, symbols and beliefs become taken-for-granted and penetrate organisations, thereby incarnating traditions through which actors see and construct the world in organisational arenas. The institutional forces that result in such behaviour were vaguely defined at that time as rule-like frameworks and rationalised myths (Meyer & Rowan, 1977). At its heart, this work on IT provides "a bold, creative new explanation for formal structure, as well as for the privileged position of organizations as legitimate, dominant actors in modern societies" (Scott, 2008a, p. 427). Moreover, according to Pedersen and Dobbin (2006), NIT is based on the sociological perspectives and traditions where organisations are treated as open system as they interact with their environment and other organisations. In a nutshell, the focus of old IT was on the legitimacy seeking processes (structural conformity and isomorphism) and social reproduction, coupled with emphasise on the constraints inflicted by the environment on the organisational choice of structure and policies.

The old IT's structural conformity has been criticised for neglecting the role of agency and interests in trying to explain the response to institutional pressures (DiMaggio, 1988; DiMaggio & Powell, 1991), primarily by the scholars from within the IT. Agent's interests are obviously unnecessary for highlighting the actions based on taken-for-granted rules, beliefs and myths as founded in old IT, however, it is until

the question why organisations respond to institutional pressures differently (Goodrick & Salancik, 1996). To answer such question, agentic interests become potentially an important explanation. By allowing incorporation of agency and interests, NIT mainly suggests how institutionally mandated behaviour allows the actors to present organisation as legitimate, thereby increasing organisation's likelihood of survival. Abbott (1992) contends that for DiMaggio and Powell the NIT comprised of three major turns (1) away from rational action and utilitarianism (2) towards social emergtenism, and (3) towards cultural and/or cognitive explanations. Despite these turns, DiMaggio and Powell (1991, p. 15) pointed that these differences "are all the more striking because they are so seldom noted; far from offering a sustained critique of the old institutionalism, neo-institutionalists, when they refer to their predecessors, tend to acknowledge continuity and elide points of divergence".

Specifically, the scholars shifted the focus from discursive consciousness, whereby actors choose means in view of ends, to practical consciousness whereby actors incorporate reflexivity in choosing means and ends as DiMaggio (1988, p. 3) puts it "preconscious understandings that actors share". However, the practical consciousness has been criticised as well for its neglect of agency. For instance, it provides limited reference to the framework that actors may be able to exercise agency and thereby can change the institution in which they are embedded (Abdelnour, Hasselbladh, & Kallinikos, 2017; Holm, 1995; Lok & Willmott, 2019). More so, the concept of practical consciousness is itself cannot be devoid of agency (DiMaggio & Powell, 1991; Powell & Colyvas, 2008). Therefore, many scholars felt that something was lost during the shift from old IT to the NIT – such as, an understanding of the strategic and purposeful action aligned with the means-ends framework (Cardinale,

2018). In response to these insights, DiMaggio and Powell (1991) came with theory of practical action – thereby incorporating micro-foundations that consider both taken-for-granted and pre-reflexive aspects which result in embeddedness of institutions. Thus, after a long period of oscillating between the primary emphasise on the structure or the primary emphasise on the agency – IT seemed to be incorporating the view that both structure and agency matter (Lok & Willmott, 2019). At present, NIT has been one of the most prominent school of thought within organisational theory. This prominence is highlighted by the bibliometric analysis of Vogel (2012) who argued that NIT was a small school of thought in 1980s, it became marginal in 1990s, and moved into the second largest in organisational studies during 2000s. Moreover, from 2010, NIT has gone to dominate the field (Alvesson & Spicer, 2019).

Despite the tremendous rise of IT, it has received another stream of criticism (from outside primarily by critical management scholars) – for ignoring power, inequality and domination, such as, for not being critical (Hirsch & Lounsbury, 2015; Munir, 2015; Willmott, 2015). Additionally, numerous fora have been devoted to debate the critical potential of IT, mostly urging the theory to incorporate critical analysis, and several papers are published in this regard. More recently, in the inaugural volume of a new journal *Organization Theory*, Munir (2020, p. 1) lamented IT for "its often uncritical, sanitized and dangerously misleading simplification of messy, complex social phenomena involving oppression". To this provocation, Drori (2020) rebuts by asking (with an interrobang) – Hasn't institutional theory always been critical?!, in the same volume. She further maintained that NIT incorporates the critical analysis which in turn challenges the taken-for-granted and any existing form, arrangement and idea. Additionally, researchers denounced the claims of critical management scholars who

often associate IT with neo-positivism, ontological realism and quantitative research methods – thereby utterly debunking the interpretive streak running through the IT's prolific tradition of empirical and conceptual work (Drori, 2020; Lok, 2019). Therefore, IT is undergoing a decidedly critical turn by highlighting institutional processes to understand the implications for major social issue, thereby attempting to the grand challenges such as poverty, inequality and climate change.

2.2.1 New directions in institutional analysis

Moreover, NIT has contributed to engaging with many challenges ranging from poverty alleviation, income inequality, healthcare, sustainable development, organisational wrongdoings, workplace diversity, and preservation of natural environment, among others. One of these challenges facing the contemporary business organisations is corporate social responsibility (CSR). The current corporate consensus on businesses responsibility to society and environment is primarily based on doing well by doing good. Also, businesses normally impose their views on doing good in advertisements, annual reposts and sustainability reports. However, less is known whether these claims are sincere or not.

This work can be seen from a broader organisational theory perspective in institutional work on symbolic management and decoupling (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Westphal & Zajac, 2001). More specifically, NIT offers the insights on the struggle organisations face in dealing with conflicting internal pressures of efficiencies and external pressures of the legal and normative compliance. Accordingly, these conflicting pressures often lead organisations to adopt a formal structure that is different from actual practice (DiMaggio & Powell, 1991; Meyer &

Rowan, 1977). According to Bowen and Aragon-Correa (2014) symbolic behaviour refers to powerful, emergent, shared and relational meanings focusing on social and environmental practices of businesses. Sometimes, there remains a gap between what businesses claim in their reports regarding CSR and the actual social and environmental impact of their business. Organisations decouple when "they take visible actions that signal conformity with external expectations, such as formally adopting a particular program or policy, while simultaneously shielding the organisation's day-to-day operations from the impact of those policies" (Behnam & MacLean, 2011, p. 48).

However, the conflicting pressure of conformity often leads organisations to adopt a formal structure different from that in practice (Meyer & Rowan, 1977). Fiss and Zajac (2006) argue that businesses respond to institutional norms differently, resulting in discrepancy between a firm's policies and those that they implement. To preserve organisational efficiency, businesses are observed to decouple action from structure (Boxenbaum & Jonsson, 2008). One burgeoning area where organisations undertake such decoupling is with corporate social responsibility (CSR) (Crilly, Zollo, & Hansen, 2012). The communication of CSR has gained real traction in recent years (Trittin, Fieseler, & Maltseva, 2018), and businesses are often found to report on CSR without taking substantive action (Marquis & Qian, 2014). The reasons for this behaviour have much to do with getting legitimacy from government (Shabana, Buchholtz, & Carroll, 2017); appearing righteous to stakeholders; and/or, emulating the reporting practices of peer organisations.

Institutional pressures drive businesses to engage in CSR (Aguilera, Rupp, Williams, & Ganapathi, 2007). However, these institutional pressures change often, and consequently affect the degree to which businesses behave in socially responsible ways

(Campbell, 2018). This often results in incompatibility between the institutional demands and internal efficiency pressures confronting business creating the institutional complexity, referred to by Greenwood, Raynard, Kodeih, Micelotta, and Lounsbury (2011). As a result of the institutional complexity, businesses adoption of these sustainability standards with low quantity implementation results in a decoupled response (Luo, Wang, & Zhang, 2017). In addition, Greenwood and Hinings (1996) contended that decoupling is a more likely response in weak institutional fields – characterised by uncertainty, ambiguity, regulation with weak enforcement, and ineffective compliance monitoring mechanism. These characteristics are typically found in developing countries. Therefore, it is particularly relevant to study CSR decoupling in institutional fields where decoupling is expected to be more pronounced. Yet, few studies focus on why businesses are unable to bring about social and environmental change in developing countries (Jamali, Lund-Thomsen, & Khara, 2017); despite, these same businesses making promises of socially responsible behaviour through CSR reporting.

The aim of this chapter is to advance extant knowledge on decoupling of CSR, to further the hypotheses being offered by the researchers, and tentatively exploring why decoupling occurs – especially in developing countries. That is, businesses may gain legitimacy by pretending to do well via their CSR communication. However, the CSR policies, as stated may not result in actual practice, merely being lip service.

To make the case interesting, the chapter first problematise how the concept of decoupling has been used in the literature. Then it explains why developing countries are a good place to examine decoupling as a process of institutional complexity. Conflicting stakeholders' interests can make it incumbent for organisations to uphold an

ideal structure in order to get legitimacy (Jamali, 2010). As the literature on legitimacy

suggests that organisational responses to external pressures vary to the extent in which

they are substantive or symbolic (Meyer & Rowan, 1977). In addition, the chapter

discusses institutional contexts of developing countries where organisations response to

pressures may be different given the temporal and spatial differences between

organisations. Finally, as corporate social responsibility encompasses activities beyond

the realm of regulation studying decoupling in a developing country context is

especially interesting and likely to contribute disproportionately to knowledge.

2.2.2   Decoupling

The concept of decoupling was first put forward by Meyer and Rowan (1977), although,

it is a core idea in IT while only receiving limited scholarly attention (Boxenbaum &

Jonsson, 2008). According to Heese, Krishnan, and Moers (2016, p. 2180) "the theory

of decoupling emerged from the observation that, while organizations develop formal

structures, rules, and policies, their activities often depart from these structures". More

specifically, when organisations encounter external pressure for change, they adopt

models from elsewhere and migrating them from the original institutional context to fit

their own. Meyer and Rowan (1977) argue that once institutionalised practices are

adopted, they may persist on legitimisation goals and decoupled from efficiency goals.

Even more so, in the context of CSR – one that has only recently attracted the attention

of the academic fraternity.

The literature on decoupling differentiates between policy-practice decoupling

and means-ends decoupling (Bromley & Powell, 2012; Wijen, 2014). Policy-practice

decoupling occurs where there is a mismatch between the policy and the actual practice;

25

while, means-ends decoupling occurs when organisations comply with formal policies but not realise the intended implementation. The more formal type suggests that decoupling may be deliberate, especially when organisations wish to enjoy the advantage of symbolic policy adoption without any intention of implementing the adopted policies (de Bree & Stoopendaal, 2018). In the same vein, George, Chattopadhyay, Sitkin, and Barden (2006) contend that executives gain stakeholders' legitimacy by mitigating conflicts with them through the use of policy-practice decoupling.

By contrast, means-ends decoupling has received less attention to date, and notably when there are obscure relationships between means and ends (Wijen, 2014). The reasons behind the prevalence of means-ends decoupling in the contemporary organisational arena are twofold (Dick, 2015). First, the proliferation of the audit culture that intends to prevent ceremonial adoption of practices by surveillance mechanisms. Second, with conflicting and pluralistic institutional pressures, organisations are faced with ever increasing demands for accountability and transparency. Consequently, they may adopt inconsistent practices and policies to maintain legitimacy from a fragmented group of stakeholders (Yu, 2013). For example, to maintain external legitimacy part-time work has been introduced on the grounds that it will enhance the retention of women (Dick, 2015). In such cases, means used to claim ends are merely based on rational myths and not necessarily solid empirical evidence. Wijen (2014) further postulates that enforcing compliance may hinder the likelihood of goal achievement thereby representing a trade-off between remedying policy-practice decoupling and means-ends decoupling.

The concept of means-ends decoupling has received criticism, both conceptually and methodologically. For instance, according to Haack and Schoeneborn (2015) conceptually policy-practice decoupling enables organisations to obtain legitimacy in the presence of conflicting pressures. In situations where the beholders lack faith and confidence and monitor whether the policy is actually implemented by organisations – this decoupling will be assumed as illegitimate and the beholder can take punitive measures (Meyer & Rowan, 1977). While, means-ends decoupling depicts that means employed by an organisation are ineffective or insufficient to achieve the desired ends. Moreover methodologically, both forms of decoupling fall in paradigms with incompatible assumptions (Haack & Schoeneborn, 2015). Whereas Meyer and Rowan (1977) conception of policy-practice decoupling was inspired by interpretivist and social constructionist traditions; means-ends decoupling is informed by a functionalist perspective that embarks on a positivist epistemology. Therefore, means-ends decoupling embodies marked differences from the phenomenon of policy-practice decoupling both theoretically and methodologically.

Recent academic interests have resulted in a plethora of studies discussing when institutional decoupling is more likely to occur. Just because an organisation can decouple it does not mean they will due to the repercussions from external institutional referents (Boxenbaum & Jonsson, 2008). Legitimacy is a valuable resource for an organisation and loss of legitimacy represents a real cost (Cole, 2012). As outlined earlier, organisations decouple when there are internal inconsistencies with efficiency requirements; the prevalence of uncertainty; emerging complexity; conflicting demands; an absence of monitoring mechanisms; and, limited regulatory requirements (Jamali et al., 2017; Kostova & Roth, 2002; Tilcsik, 2010). In such cases, organisations

symbolically adopt policies that are promoted externally – and present strategies that are consistent with their internal institutional pressures (Pache & Santos, 2013). Such legitimisation strategies help improve survival capabilities by preventing conflict between the internal and external institutional environments.

Organisations are also found to decouple when the knowledge base for practice is not clear-cut and practice not fully diffused (Goodrick & Salancik, 1996; Jamali et al., 2017). Moreover, organisations are also expected to decouple during transition periods, and when they face conflicting expectations for a wide variety of policies, for example; audit reporting and social responsibility reporting (Tashman, Marano, & Kostova, 2019), quality management (Kostova & Roth, 2002), purchase of stock CEO (Westphal & Zajac, 2001), compensation (Westphal & Zajac, 1995), human rights representation (Hallett & Ventresca, 2006), ISO 1400 (Boiral, 2007), aspirational talk (Winkler, Etter, & Castelló, 2019), and allocation of funds among subsidiaries (Tilcsik, 2010). All of these situations lead organisations to decouple that then provides a mechanism through which they can minimise risk, and obtain, maintain and promote legitimacy through conformity with external institutional referents.

In summary, this section expands our understating of the dynamics of decoupling, by focusing on the types and its major determinants. As outlined, decoupling is a contested concept through which organisations use various overlooking, avoidance, manoeuvring, and buffering strategies to obtain legitimacy in the eyes of external referent. However, recently, scholars have coined a new term recoupling in which organisations try to overcome damages of decoupling.

2.2.3 Relating decoupling to CSR

CSR is defined in many ways (Dahlsrud, 2008). Different models of CSR then elucidate both to whom and for what businesses are supposedly responsible (Jain, 2017). Thus, we favour the most cited definition, "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 117). According to Bondy, Moon, and Matten (2012) corporate social responsibility is becoming a strategic issue for businesses. Therefore, it is important to plan strategically regarding CSR reporting. CSR reporting is the first step of a business's commitment towards CSR. CSR reporting has gained traction recently, and it is now considered as "the de facto law for business" (KPMG, 2017). It represents business's responsibility towards environment and society in which they function (Owen, 2008). Accordingly, it is widely accepted that businesses report CSR initiatives in order to gain numerous benefits –for instance, obtaining legitimacy, enhancing reputation, and developing relationships with stakeholders (Siano, Vollero, Conte, & Amabile, 2017). Therefore, CSR reporting is becoming a global norm whereby businesses build trust with their stakeholders.

Previous studies have highlighted win-win propositions where businesses not only address social and environmental issues but also improve their efficiency (Böhling, Murguía, & Godfrid, 2019). Regardless of the optimism and apparent progressiveness of CSR reporting, it has been accused of insincere, overstatement, and manipulative (Laufer, 2003). This incongruence results in decoupling where businesses adopt policies of divergence between the 'talk and walk of CSR' (Haack, Schoeneborn, & Wickert, 2012). The talk of CSR involves the outbound channels of communication with stakeholders employed by businesses in standalone sustainability reports, annual

reports, and websites (Wickert, Scherer, & Spence, 2016). Whereas, the walk of CSR comprises the actions of businesses to reduce environmental impact and enhancing relationships with employees and broader stakeholder groups within and across the value chain (Aguilera et al., 2007).

One explanation of decoupling is that the reporting may be aspirational or intentional of future activity (Christensen, Morsing, & Thyssen, 2013), as opposed to what is currently being achieved. They further contended that the discrepancies between the walk and talk should not be considered as deceptive or *greenwashing*, but such manoeuvres are driver of organisational and societal change at large. That is to say, such talks can change managers for better in relation to their social and environmental engagements. Additionally, Morsing and Spence (2019) argued that CSR reporting as "talking out of being" some CSR practices can also act counterproductive for small businesses, as it may be seen as an identity threat for small enterprises. However, the tension between current and aspirational reality needs to be reduced as talk is unexpected to resolve problems (Hoffmann, 2018) facing communities within which such businesses are located, and for whom those business seek to serve. Further, this tension does not sit well in the broader corporate world as action-talk discrepancy seems shoddy, regardless of whether or not consequent belated action has real value. Thus, by studying the relationship between the walk and talk of CSR, we can recognise whether CSR is substantive or merely ceremonial.

Recent debates on CSR reporting has highlighted that reports without action are mere greenwashing (Aras & Crowther, 2008). There are also studies that went to the extent of calling deceptive reporting as unethical or even illegal, for example, the cases of BP, Shell, and Honda (Delmas & Burbano, 2011). Decoupling in CSR context has

been considered as a type of greenwashing where "organisations claim to fulfil stakeholders' expectations, without making any actual changes in organizational practices" (Siano et al., 2017, p. 28). Further, Vos (2009, p. 674) defines decoupling by showing the discrepancy between CSR policies and practices as ''usually stem from some environmental stance a corporation publicizes without putting its rhetoric into practice''. Considering the recent academic interests in decoupling, the phenomena is highly prevalent (Pope & Wæraas, 2016), however, the degree of decoupling varies from one institutional field to another or one organisation to another.

Broadly speaking, CSR decoupling involves impression management practices to obtain social legitimacy (Lyon & Montgomery, 2015), selective decoupling "positive environmental actions while concealing negative ones to create a misleadingly positive impression of overall environmental performance (Marquis, Toffel, & Zhou, 2016, p. 483), and exaggerating or overstating their activities in disclosures (Delmas & Burbano, 2011). Accordingly, Wijen (2014) highlights that businesses face a plethora of expectations regarding CSR from the institutional field in which they operate, that results in ambiguity for businesses in making sense of how CSR reporting and performance are jointly evaluated. Further, CSR reporting does not need much of an effort as they can model their reports on those of MNCs whereas, improving CSR performance requires massive investments in terms of capacity building.

It is obvious from the previous studies that CSR rhetoric may or may not be translated into substantive performance by actually improving social and environmental performance. Enhancing actual CSR performance can result in a number of positive outcomes, for instance, less government and NGOs scrutiny, social capital, building trust, and competitiveness (Marano, Tashman, & Kostova, 2017). However, as

31

mentioned, this comes at a cost associated with capital investments in CSR projects. Especially, these investments are challenging for businesses that are original from developing countries due to the lack of financial resources, strong institutional pressures, and knowledge on CSR. This is perplexing in these countries "particularly in light of the ascendancy of CSR and the positive rhetoric and connotations it carries, as portrayed by the business sector and by international organisations" (Jamali et al., 2017, p. 456). According to Bansal and Kistruck (2006, p. 168), businesses can also benefit from engaging in CSR reporting as a form of "symbolic impression management efforts". This is in line with the argument of IT where organisations make ceremonial adoption of practices to confirm to broader institutional expectations without necessarily changing their way of going about things (Kostova & Roth, 2002). Therefore, by invoking on IT, the thesis posits that CSR reporting is an important legitimating mechanism especially in weak institutional environments.

IT predicts that decoupling occurs when a business needs to trade-off the internal demands of technical efficiency and the external demand of substantive legitimacy from its stakeholders (Meyer & Rowan, 1977). So why do sustainability and CSR claim not translate into working realities and on-the-ground practices? From an IT perspective, organisations seek conformity to their institutional norms; they respond to the pressures of peers, capital markets and professionalization; and, they make use of international standards to report on social and environmental initiatives (de Villiers & Alexander, 2014; Higgins, Stubbs, & Milne, 2018). For instance, businesses are oftentimes motivated to incorporate sustainability standards in the belief that this will result in competitiveness through signalling that the products are clean and equitable (Wijen, 2014). Alternatively, organisations adopt CSR related codes as they want to be seen as

behaving with impunity by various external stakeholders. IT predicts that organisations

comply with the institutional rules with the logic of good faith, not necessarily needing

the evidence that these rules will produce the outcomes claimed for them (Dick &

Coule, 2019). However, the compliance to institutional mechanism can be exaggerated

across the fields as there are important elements that may result in variation –for

instance, agency, self-interests, choice, proactive-ness (Scott, 2008b). Scott (2008b)

further highlight that responses to institutional pressures are salient in opaque or

ambiguous institutional environment. These are typical characteristics of developing

countries (Jamali et al., 2017).

Therefore, businesses are more likely to decouple in what are already loosely

coupled organisational fields (Greenwood & Hinings, 1996), marked by limited

regulatory intervention and compliance monitoring mechanisms, with multiple

conflicting pressures and high uncertainty. Thereby making the case of Pakistan

particularly relevant in the wake of continuous large scale irresponsible corporate

conduct, the description of which is outlined in the next section.

2.2.4   CSR decoupling in developing countries

CSR is a concept largely presented in the management and organisation literatures

dominated by Western frames, manifestations, connotations and nuances (Jamali &

Karam 2018). The fact that CSR as a modern practice emerged in the United States of

America as a strategic response to the New Deal and its wide-reaching impact on the

laissez faire (Friedman, 1970) approach to forestall and prevent further regulation of

free markets – thereby at its core was an idea to protect American capitalism (De

Bakker, Matten, Spence, & Wickert, 2020). The New Deal was a series of programs,

financial reforms, public works projects, and regulations enacted by the

President Franklin D. Roosevelt in the United States between 1933 and 1939. The

notion that managers enacting CSR is considered a good thing while ignoring the

embeddedness of such managerial interventions is largely overlooked in contexts

outside developed countries. Yet, despite this Western dominance there is a growing

body of research highlighting the different manifestation of CSR in developing

countries. This research takes into account the multiplicity of socioeconomic, political,

religious, and historical realities whereby developing countries provide a unique setup

for responsible behaviour and tailored adoptions of global diffusion of CSR reporting

and practice (Jamali & Neville, 2012). Additionally, developing countries are often

characterised by *institutional voids (*Doh, Rodrigues, Saka-Helmhout & Makhija, 2017)

that are poorly functioning governance mechanisms that hamper the effectiveness of a

particular policy and practice. In such situations, organisations take advantage of poor

governance mechanisms or read the expectations of stakeholders inappropriately and

take symbolic actions to gain and maintain legitimacy – thereby resulting in decoupled

CSR.

There are numerous examples of companies indulging in CSR decoupling in

developing countries. For instance, Stora Enso is one of the largest forest, paper and

packaging companies bases in the Nordic region, with net sales 9.8 billion EUR (in

2016). It was found to be using child labour in its feeding system for waste paper in its

supply chain by a Pakistani company called Bulleh Shah Packaging (Ivanova-Gongne,

& Lång, 2019). The operations of Stora Enso were unveiled and criticised by a Swedish

TV Channel 4, and by a business magazine, Veckans Affärer. The company was not

only silent since 2012 on these issues in its reporting but also misrepresented these by

not admitting misconduct in the first place; and, used socio-cultural arguments to justify their actions in Pakistan (Ivanova-Gongne, & Lång, 2019).

Similarly, Kobayashi-Solomon, (2020) quoted an example where a researcher who asked a CSR officer on how his Fortune 500 company tracked carbon emissions associated with manufacturing in the supply chains in developing countries. The executive seemed to have a very low level of awareness of GHS emissions in low-income countries. Further, many pharmaceutical companies have donated medicines to developing countries as part of their CSR initiatives. These drugs, however, appeared to have past expiry dates (Joshi & Sanger, 2005). Therefore, companies can take legitimacy by not only reporting on such donations but also have translated these words into actions, the impacts of such actions are found to be negative or negligible.

Corporate behaviours are filled with such accounts where businesses decouple CSR in developing countries. Such decoupling may take strategic (manipulating and giving mixed signals to gain advantage) or defensive (defending against mixed signals to main efficiency) forms in developing countries (Jamali, Karam, Yin, & Soundararajan, 2017). In such a way, organisations may publicly endorse CSR while not always implementing what was intended.

Overall, the thesis investigates the emergence of decoupling of CSR in Pakistan. Essentially, the thesis contributes to knowledge and practice by highlighting the institutional peculiarities that compel businesses to decouple CSR reports from is actual practice. Studying both the emergence and decoupling of CSR in Pakistan is expected to contribute to both knowledge and practice given the current drive for accountability being undertaken by the recent government (Siddiqi, 2018). The China-Pakistan Economic Corridor (CPEC), a $55 billion project between China and Pakistan is a

further opportunity for Pakistani businesses to explore new opportunities and challenges of production and internationalisation. The thesis anticipates that the concurrent demand for greater transparency on the one hand and growth opportunities on the other will result in substantially increased expectations of accountability on companies across the country – manifest in even greater evidence and local justification for decoupling. Therefore, I study decoupling in Pakistan using a multi-method (Yin, 1989) approach hitherto lacking in earlier studies.

2.3   Research context

2.3.1   A brief history of Corporate regulation in Pakistan and business misconduct in Pakistan

Pakistan emerged from the partitioning of the Indian Sub-Continent in 1947 by the British. The Colonial period brought the first of two Companies Acts, 1850 and 1857 (Ashraf & Ghani, 2005). Later the Companies Act 1883 was introduced with detailed guidelines on remuneration, duties of auditors and term of appointment. This act was then followed by the Companies Act 1913 (Saeed, 1993) in which the maintenance of books of accounts become mandatory. In 1953, institutional reforms established the Company Law Commission which eventually resulted in the Companies Ordinance 1984. Key advances in companies at the time included the disclosure of auditor, CEO and director remuneration. This act resulted in improvements to the financial statements of companies during the 1990s, international standards being adopted. Significant measures to liberalise and privatise the economy were adopted in the 1990s that included opening the stock market to the foreign investors; widespread deregulation; the privatisation of public entities; and, the opening of private commercial banks.

The current primary regulator, the Securities and Exchange Commission of Pakistan (SECP) (Ashraf & Ghani, 2005) emerged in 1997. The Pakistani government decided to form the SECP as an autonomous regulatory body with independent financial, operational and administrative matters and gave it investigative and enforcements powers. In 2002, the SECP was given further authority to formulate consolidated and holistic regulation for the non-financial sector. The first Code of Corporate Governance, with specific reference to financial reporting and auditing issues was introduced soon after. The Code came into existence with the collaboration of SECP; Chartered Accountants of Pakistan; Pakistan Stock Exchange (PXE); and, the Institute of Cost and Management Accountants of Pakistan (ICMAP). The Code requires that companies include a statement of compliance. Many provisions of the Code remain mandatory, while others are voluntary. In sum, the current mandate of the SECP includes regulation of the corporate sector and capital markets, supervision and regulation of non-banking finance companies and private pension schemes, supervision and regulation of insurance companies, and oversight of various service providers to financial and corporate sectors.

Governments worldwide are becoming more and more involved in CSR policy via either voluntary (soft) law or traditional mandatory regulation that encourages businesses to embark on CSR (Knudsen, 2018). The burgeoning global interest in CSR eventually led the SECP in 2013 to issue specific CSR guidelines to promote the development of CSR initiatives by all listed companies (SECP, 2013). While the guidelines are discretionary, businesses are recommended to go beyond the bare minimum. The current guidelines cover areas, such as community involvement, good governance, product responsibility, work life balance, safety, and climate change. The

guidelines also include various provisions on CSR reporting including disclosure of policies and activities; working models, risk, opportunities, implementation status, and comparisons with previous years (SECP, 2013). Companies are now expected to report on their CSR activity in a standalone report, website and/or annual report. The recent revision of the code notified the need to report on social, environmental, governmental, health and safety measures (SECP, 2017). Despite the increasingly prescriptive regulatory regime in Pakistan, there are glitches due to the lack of motivation by private business owners; a public sector lacking the skill to be socially responsible; and, an absence of effective pressure from civil society groups.

CSR in Pakistan has ceased to be a matter of choice. Since the legal and political context of each country is unique (Nakpodia, Adegbite, Amaeshi, & Owolabi, 2018) governments, especially in developing countries, need to produce stricter regulations that suits their institutional peculiarities rather than emulating policies more appropriate to the developed world. Pakistan was forced to follow the International Monetary Fund's (IMF) conditions of deregulation and privatisation among others (Munir, Naqvi, & Usmani, 2015). Therefore, how CSR should be regulated in the presence of the resulting fragile institutions was unknown. In contrast, many developed countries are moving towards greater regulation of business behaviour. For instance, the European Commission has shifted its definition of CSR from 'social and environmental activities that companies adopt on voluntary basis' to 'the responsibility of enterprises for their impacts on society' (Knudsen & Moon, 2017).

The mega China-Pakistan Economic Corridor (CPEC) project, now worth US$60bn launched in 2015 is considered as 'game changer' for the country's ailing economic situation (Javaid, 2016). The route is pivotal to both countries, as it will

shorten the distance for the world's largest oil importer from the Middle East and Africa

through the Indian Ocean (see Figure 2.1). The new route is supposed to present

immense business opportunities for Pakistani business. But the project requires that

local companies to suddenly compete on an international level, with the attendant

implications for social and environmental performance. Separate to the CPEC project an

initiative involving Saudi Arabi resulting in a US$21bn investment will further boost

the economy of Pakistan (Kiani, 2019). All of which impose greater expectations of

Pakistani business and its ability – or otherwise – to embrace CSR reporting expected to

occur in the absence of a well-developed institutional environment.

Despite the economic and social prospects, Pakistan faces many challenges of

transparency and accountability. It is ranked 116th out of 176 countries on the

Corruption Index (Transparency International, 2017), and 150th out of 189 countries on

the Human Development Index (UNDP, 2018). Thus, the case of Pakistan is

particularly relevant in the wake of continuous large scale irresponsible corporate

conduct, such as child labour in soccer ball manufacturing in the 1990s (Khan et al.,

2007; Khan, Munir, & Willmott, 2007); women empowerment (Munir, Ayaz, Levy, &

Willmott, 2018); employee mistreatment (Ashraf, 2018); massive tax evasion by the

sugar industry (Akhter, 2019), and, misconduct in accountability offices (Sana, 2018).

Additionally, Pakistan has lagged the adoption of CSR initiatives compared to more

advanced countries (Yunis, Durrani, & Khan, 2017). Therefore, CSR has the potential

to emerge as a key issue within government and business circles and could bring about

sustainable development.
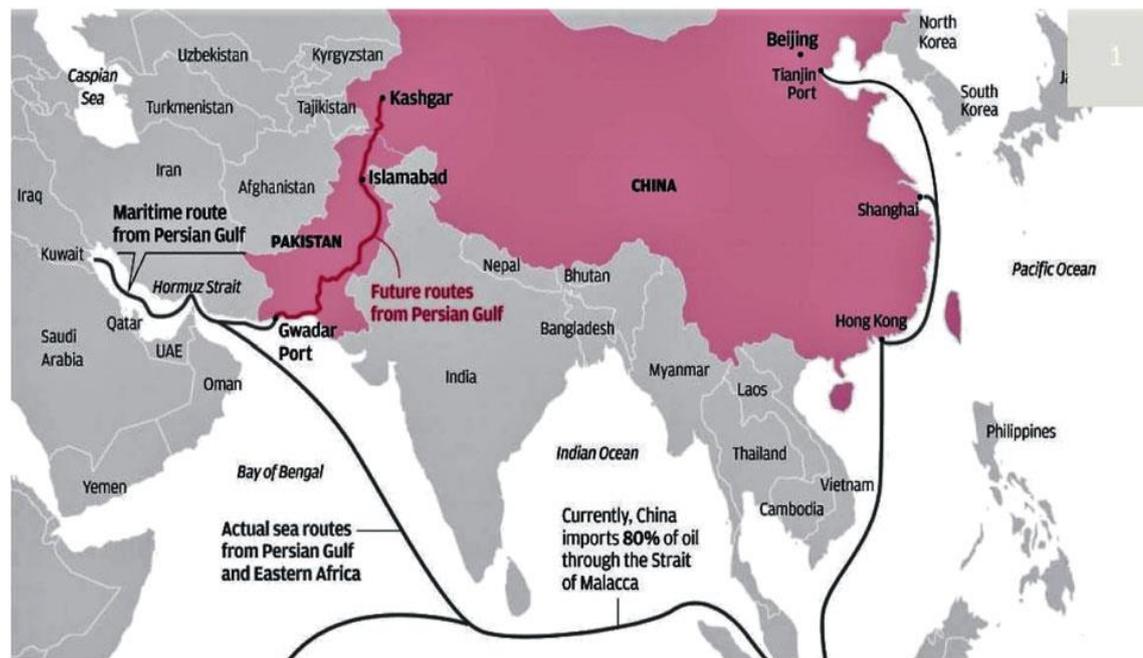
Figure 2.1 The CPEC and previous route for China's oil import.
Source: Chowdhury (2013)

2.4   Discussion

This chapter presented a brief account of the nascent literature on the emergence and

dominance of IT in organisational studies, decoupling, and provided needed insight on

CSR decoupling. The chapter first provides internal critique of IT for its neglect of

agency and interests. Later, it briefly highlights the recent waves of criticism mainly

originating from critical management scholars for IT's historical lack of attention to

power and critical thinking. IT posits that organisations often do not achieve their goals

by adopting institutional rules envisaged by their developers. More specifically, when

businesses comply with such external pressure, they find themselves deliberately or

otherwise decoupling by only symbolically endorsing their practices. Our literature

review shows two types of decoupling. The first is policy-practice decoupling where

businesses do not implement the policies, and only communicate those policies to gain

legitimacy. The second type of decoupling is means-ends where the implemented

policies do not achieve the promised outcomes. The literature also highlights the criticism of means-ends decoupling. In addition to the reasons for types of decoupling (Bromley & Powell, 2012) the actual process of decoupling (Tilcsik, 2010) and reasons behind decoupling (Westphal & Zajac, 2001) were reported.

The chapter suggests that businesses decouple CSR policy from actual performance in response to institutional complexity that stems from the conflicting expectations from the institutional terrain in which they operate. According to Greenwood et al. (2011, pp. 350–351) "decoupling, although an important and well-recognised organisational response, deserves further and closer attention in order to isolate its different forms and outcomes". Institutional complexity occurs when there are multiple conflicting expectations that results in CSR decoupling. Additionally, another antecedent of CSR decoupling in developing countries is the disparity between the institutional requirement for CSR and the basic efficiency requirements of the business (Jamali et al., 2017). Building actual CSR infrastructure, as opposed to that offered by decoupling entails significant capital investment. Therefore, organisations that do not have the resources or will for implementing CSR would use decoupling as a strategic response to preserve social legitimacy in the eyes of competing institutional constituencies. The timing of policy adoption has also been found to play an important role in the extent to which policy will turn into substantive action. "Speedy adoption is important because it displays conformity ahead of others, and may alleviate close scrutiny from one institutional pressure and afford discretion to attend to the other" (Luo et al., 2017, p. 341). This is true, as the late adopters tend to mimic the early adopter who tend to implement the policy more substantively. These diffusion

trajectories are highlighted by the recent study on CSR reporting by Shabana et al. (2017).

Finally, the chapter also suggests that businesses in countries where there is an absence of effective regulatory and monitoring mechanisms. Many high-profile industrial collapses occur in developing countries due to the lack of compliance with simple standards. For instance, Tianjin's chemical exploration in China in 2015 and the Rana Plaza collapse in Bangladesh are examples of non-compliance with the prevailing state regulation (Malesky & Taussig, 2017). I argue that in developing countries the economy is characterised by less developed formal government infrastructures, and greater informality that results in less reliable corporate governance, accounting standards, and market regulation compared to that of developed countries (Marquis & Qian, 2014). Additionally, in circumstances where the state institutions and domestic actors are not strong, the international organisations (NGOs) may step in to work as watchdogs. Weak and fragile state and domestic institutions in emerging economies may make it easier for organisations to decouple CSR policies from its practice by merely highlighting the compliance in a pro forma manner. Additionally, the decoupling pattern within the developing countries may vary depending the on the roles and strength of institutions. Therefore, empirical research needs to be undertaken in the developing countries in order to highlight the peculiarities of institutional environments in order to explore whether the businesses live up to their CSR promises or CSR reports have nothing to do with the substantive action.

CHAPTER 3 METHODOLOGY AND METHODS

3.1   Overview

Aim of the chapter: The chapter provides a detailed description of the methodological framework used for this research. An explanation of all four methods used in the study is presented, namely, content analysis, originality checks, interviews and discourse analysis. How each contributes to resolving the core research question is discussed. The use of two unique methodological contributions, such as originality checks and the use of quadrangulation are also described.

Duplication: Each chapter in this thesis has a separate methodological section, but readers are expected to find duplication across the empirical papers. This chapter contains material in addition to that is being published.

Publication details: This paper was presented at the 32nd Australian and New Zealand Academy of Management (ANZAM) Auckland, New Zealand. The feedback from the conference was helpful in further developing the paper and overall methodology.

Appended as DRC 16: Further details on publication and contributions are included at Appendix G.

3.2   Introduction

Research in the fields such as CSR, business ethics and corporate sustainability has moved from the margins to mainstream both theoretical and practically (Crane, Henriques, Husted, & Matten, 2016b). Despite this rise, the field of business and society research continues to suffer methodological impediments that hampers its development (Crane, Henriques, & Husted, 2018). A key reason for this challenge is because researchers quite often confuse methods, research methodology and philosophical stance that underpin their research. The differences among all these research paradigms

are because of different ontological and epistemological assumptions. The ontology refers to the nature of existence or being while epistemology refers to theories of knowledge – such as, how we know what we know. Stemming from ontology and epistemology are philosophical perspectives, a system of generalised worldviews that result in belief that inform actions. There are several worldviews researchers adopt to understand organisations within the area of organisation theory, for instance: positivism, interpretivism, modernism, post-modernism and critical theory, critical realism, and so on (Johnson & Duberley, 2000). Similarly, methodology denotes research approaches that rationalise and structure epistemic concepts for investigative purposes. Finally, methods are the technical means we employ to collect and analyse data (Gioia, Corley, & Hamilton, 2013).

The current study was based on a realist ontology: a single reality which can be understood, studied and experienced as truth – an ontological commitment that was based on the results of an earlier comparative observation where Pakistani companies were found to be disclosing more CSR than those in New Zealand. Having identified this observation as a starting point, a social constructionist epistemology that rejects the notion of a single external reality was drawn upon. However, truth or meaning arises in and out of our engagement with the realities of the world. The value of social constructionist is in producing contextualised understandings of defined problems or topics as it does not consider the pre-existence of reality as independent of human activity or symbolic language.

Two philosophical positions are primarily used in the field of business and society in particular (Crane et al., 2018), and in organisation theory more broadly (McAuley, Duberley, & Johnson, 2007). Positivists assumes that there is a neutral point at which a researcher can objectively observe and understand an external reality – in doing so, the

observers think that they can observe without influencing what is being observed (McAuley et al., 2007). The correct methodologies that follow assume that the data are lying out waiting for the researchers to collect them. On the other hand, interpretivist researchers believe that reality is a product of their mind – data are entangled with the researchers, the drafting of the research questions and the research settings due to multiple truths (Johnson & Duberley, 2000). Similarly, the research methodology that follows interpretivist tradition is based on qualitative methods. Whereas, positivist philosophy follows quantitative methodologies.

Generally, the qualitative approach follows an inductive logic whereas quantitative approach follows a deductive approach. According to Eisenhardt, Graebner, and Sonenshein (2016), inductive approaches are those through which the researchers attempt to build theory from data. As mentioned, inductive logic informs a great deal of qualitative thinking – where the is focus on exploring contexts of social processes and situational contours, and thereby making theoretically or strategically driven comparisons with similar processes in different contexts or occurrence of different processes in similar contexts to generate explanations (Mason, 2006). Whereas, the deductive approach is statistically based methods in which the observers develop hypotheses and test them with data. Deductive logic informs a great of quantitative thinking – which aims to predict wide patterns and changes in social phenomenon, thereby highlights the trends, averages and commonalities (Mason, 2006). In other words, quantitatively informed research emphasises on causation among (between) variables and identifies correlations and means.

3.3   Qualitative and quantitative methodologies in CSR research

Overall, generating knowledge and understanding coherence in the field of CSR

research is challenging because unlike other fields, this area of research is depending on

the intricate interactions of institutional, organisational, and individual level factors

(Athanasopoulou & Selsky, 2015). As a result of this interplay, researchers have drawn

on multiplicity of quantitative and qualitative methods to unearth the complexity

associated with the field. Quantitative researchers have utilised several approaches to

study CSR. For instance: (1) reputation indices such as the Milton Moskowitz

reputation index, and the Fortune reputation index (for example, Waddock & Graves,

1997), (2) company ratings such as Kinder, Lydenberg, and Domini Index (recently

renamed as the MSCI KLD 400 Social Index), Global Reporting Initiative index (GRI),

Dow Jones Sustainability Indices (DJSI) (for example, Brammer & Millington, 2005;

Orlitzky, Schmidt, & Rynes, 2003; Shabana et al., 2017). Others have employed (3)

survey methodology primary using a questionnaire (for example, Oll, Hahn, Reimsbach,

& Kotzian, 2018; Stites & Michael, 2011). Finally, (4) researchers have also used

content analysis to primarily assess CSR reports of business both quantitatively (for

example, Krippendorff, 2013; Nor, Mustaffa, & Norashfah, 2011). This stream of

researchers have merged financial data with social, environmental, and governance

variables to test existing theories and also provided food for thought to theoretical

arguments (Crane et al., 2018). Although this research has led to immense influences

on literature however, it predominantly held CSR as a predictor of organisational

outcome.

On the other hand, qualitative research in the field of CSR has also seen important

developments. The most used type of qualitative data are in-depth interviews,

participant observation, focus groups, and archival data (Bluhm, Harman, Lee, &

Mitchell, 2011). As mentioned previously, CSR is a complex and messy field with multiple levels of interaction, therefore, qualitative methodologies provide the researchers to obtain deeper and holistic understanding of such issues across temporal and spatial dimensions. The qualitative methods have been utilised to understand CSR and other related issues in a specific context (for example, Kim, Amaeshi, Harris, & Suh, 2013; Yang, Manika, & Athanasopoulou, 2019; Yin & Zhang, 2012). In addition to this, other qualitative methods based on visual and textual analysis are used in the field (Greenwood, Jack, & Haylock, 2018; Higgins et al., 2019; Meyer, Höllerer, Jancsary, & Leeuwen, 2013). These methods provide alternative roadmaps for researchers to look at issues related to CSR.

3.4 Research design: Methods, measures and analysis

Research design refers to "plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis" (Creswell, 2014, p. 3). Therefore, research design involves decisions regarding relevant data, how those data are collected and analysed in order to achieve research objectives. I used a blend of quantitative and qualitative approaches in this thesis. Such research designs are gaining immense prominence in management and organisation researcher (Molina-Azorin, Bergh, Corley, & Ketchen, 2017), and are defined as "a study that mixes or combines quantitative and qualitative methods, techniques, concepts, or language into a single study or series of linked studies" (Fakis, Hilliam, Stoneley, & Townend, 2014, p. 139).

My methodology requires a research design that enables a meaningful study of decoupling that represents potentially complex interplay between external environment pressures and internal organisational response to them. Therefore, the studies contained

in this thesis relied on four data sources: (1) quantitative content analysis of CSR reporting in annual reports, (2) 23 in-depth interviews with a myriad of stakeholders (CSR managers, regulators, and CSR promoting institutions), (3) originality check using Turnitin[TM] and TinEye[TM], and (4) discourse analysis of text and related images of CSR reporting to study the fuzzy and complex concept – decoupling. From a research design perspective, I started first with the quantitative methods followed by the qualitative inquiries to explain, illuminate, and illustrate the pervasiveness of decoupling in Pakistan. All these methods are explained below.

3.4.1 Content analysis

Firstly, a longitudinal study was conducted to check CSR reporting practices of 29 listed companies belonging to various industries. The annual reports were analysed for four different years, that are: 2001, 2006, 2011, and 2017. The common way companies use to inform the stakeholders about the CSR activities is through the annual reports (Dyduch & Krasodomska, 2017; Möller, Verbeeten, & Gamerschlag, 2016; Reverte, 2009). The literature suggests various reasons for the use of annual reports such as Kent and Chan (2003); Sylvia and Yanivi (2010), and Dyduch and Krasodomska (2017), among others. Firstly, they contended the annual reports are considered as the classical and main source of corporate information to the internal and external audience and are also used for the provision of information on social and environmental activities. Secondly, it is the cost-effective way to present social and financial information in one document. Thirdly, annual reports are the most sought-after way of reporting CSR related information by pressure groups. Fourthly, disclosures through annual reports are fully controlled by the editorial boards of businesses whereas other media of disclosure are prone to journalistic interpretation and distortion.

Notwithstanding, a number of studies have employed other media such as value reports (Sillanpää, 1998), ethics reports (Adams, 2002), integrated reports (Wallage, 2000), integrity reports (Kaptein & Wempe, 2002) and recently very popular, triple bottom line (TBL) or sustainability reports (Elkington, 2001), to express social and environmental concerns. In addition, various researchers have adopted a wider array of sources, for instance, advertisements, several internally circulated bulletins (ad hoc documents publishes each year) and brochures, as sampling units (Tilt, 1994; Unerman, 2000; Zeghal & Ahmed, 1990). Considering the multiplicity of the documents, the sampling units for each study depends on the relevant research questions (Unerman, 2000), as it is not possible to identify all documents containing social and environmental information (Guthrie & Abeysekera, 2006). More specifically, annual reports and standalone CSR reports have remained the major source to be considered as sampling units as they contain the bulk of information on CSR. Thus, one of the reasons annual reports were used for this paper as the concept of standalone reports, and other types of CSR reporting were not popular back in 2001 and 2006 in Pakistan. The reasons for starting from the year 2001 was to see the reporting practices before the first code of corporate governance which was launched in 2002 and the subsequent years were also chosen based on any amendments in the code in order to see the regulatory and other institutional effects on CSR reporting.

Quantitative content analysis yielded detailed information on CSR disclosures over the years. The quantitative content analysis was further divided into index or volume/amount studies. Holsti (1969) also referred index studies as contingency analyses and these studies generally seek for the absence or presence of information on a specific item. Whereas, the volumetric studies look at the frequency and overall amount of disclosures such as counting number of words (Haniffa & Cooke, 2005),

counting number of sentences (Aras, Aybars, & Kutlu, 2010), and paragraphs length and proportion of the pages (Tilt, 2001). Indices have been frequently used to measure the extent of CSR disclosures in previous studies, for instance, Bayoud, Kavanagh, and Slaughter (2012); Haniffa and Cooke (2005); Jitaree (2015); Möller et al. (2016); Nor et al. (2011) and Torbjörn, Veronica, Pernilla, and Sven-Olof (2009). This is due to the disadvantages associated with the different volumetric techniques. For instance, the words count does not give the meaning of the context. Similarly, one of the criticisms of page proportion is that it disregards the difference in page margin, font size, and numbers of photos and graphics in annual reports. Moreover, the reports of companies vary in quality and format.

In this thesis, the content analysis was done in two stages. A CSR checklist (see appendix A) was constructed in the first stage. The categorisation was based on earlier studies (Aras et al., 2010). The study first highlighted the location, theme and form of CSR in the reports. Location involves various sections, such as corporate governance, operation review, chairman's report and CSR. Themes of disclosure were based on environment-related and employees-related activities, energy, product responsibility, and community involvement. This form of the disclosures involved narrative, photographs and monetary data related to these themes. Thereafter, a CSR checklist was developed based on these themes and pre-tested. The index was treated as a dichotomous variable, that is, if the company disclose any of the items on CSR, it takes on the value '1'; if no disclosures, it takes on the value '0'. Items were included about each of the mentioned themes and scores were aggregated from these items related to CSR. Finally, a CSR index was calculated using the guidelines from previous studies (for example, Haniffa & Cooke, 2005; Jitaree, 2015). CSR disclosures were divided into 45 items (broadly classified into eleven items for environmental dimensions, six energy

dimensions, sixteen employee dimensions, seven community involvement dimensions, and five customer-related responsibility dimensions) and used the following CSR index for calculating CSR.

$$CSRI_j = \frac{\sum_{i=1}^{n} x_{ij}}{n_j}$$

Where:

CSRI$_j$ = Corporate social responsibility index of jth firm,

n$_j$ = Total number of CSR items for jth firm, n=45,

x$_{ij}$ = 1 if ith item is disclosed, 0 if jth is not disclosed

So that, $0 \leq CSRI_j \leq 1$

3.4.2 Interviews

The study also used semi-structured interviews. Semi-structured interviews refer to "a context in which the interviewer has a series of questions that are in the general form of the interview schedule but is able to vary the sequence of questions'' (Bryman & Bell, 2011, p. 205). Such interviews allow a two-way conversation between the interviewer and the interviewee to provide a wide perspective on the phenomena being investigated. For the sake of brevity, I briefly discuss the interviews here and further details are provided in the relevant paper in this thesis.

Invitation letters to contribute to this research were mailed to 63 intended participants along with the information sheet via email and/or LinkedIn. Initially, the invitation included the all the 29 companies used for content analysis as these companies had consistent CSR reports and commitments. The final sample for this thesis comprised of 14 managers, 4 regulators and 5 CSR promoting institutions. The

details of the sample are provided in the paper entitled *The Institutional Analysis of CSR: Learnings from an Emerging Country.*

The initial encounters with the participants (especially managers) were very helpful in gaining the baseline understanding of CSR, CSR reporting and decoupling. However, I found it difficult to gain access to additional managers and CSR promoting institutions. Especially, gaining access from the regulators was a big issue. This was partly due to the accountability drive that was going on in the country. However, my luck changed when I got access to one of the directors in legal division of the institution who introduced me to the relevant directors. Even then, I was not allowed to tape record the interview. Therefore, I only relied on making notes. Additionally, I travelled to the three large cities of the country namely Karachi, Islamabad and Lahore as the head offices of all the major companies are in one of these cities.

In-depth interviews with the respondents were conducted over a five-month period from July 2017 each lasting between 45 and 76 minutes. Sixteen of these interviews were undertaken in company offices, the remaining seven via either phone or Skype calls. The interviews began with prompts (Flick, 2014) but remained open-ended. The interview protocol used was consistent with previous studies on CSR and institutional theory.

Coding procedures and development

In everyday parlance, coding signifies a range of actions for interacting with data throughout the span of research project in which links between data segments and ideas are created by names (Saldaña, 2016). In essence, coding involves putting comparative data segments into respective 'buckets'. The process of data analysis occurred at the same time as the data was collected. An iterative movement back and forth between the

data and emerging categories was used – thereby engaging in data interpretation and analysis at the time of data collection. Such an approach helps in plausibly generating and suggesting many categories and properties of general problems (Locke, Feldman, & Golden-Biddle, 2020). Three coding strategies such as open coding, axial coding and selective coding were used to analysed data. In open coding, codes and categories are less conceptual and abstract, in contrast codes and categories become more conceptual and abstract. That is axial and selective coding involve data analyses that is delimited to coding the data that are relevant to core categories (Saldaña, 2016). Conceptualising codes in such a way helps see potential for producing a repeated performance of an analytical procedure and keeps analysis active and dynamic by participation in iterativity (Locke et al., 2020).

The interviews were analysed and coded after an iterative process of critique and reflection. We designed a coding frame comprised of three thematic categories – main, generic and subcategory as suggested by Elo and Kyngäs (2008). Then, we articulated a general description of research concerns by as abstraction process (Vaismoradi et al., 2013). The abstraction process increased the likelihood of classification of codes into subcategories, generic categories, and finally the main category. The first step of is to develop subcategories from that emerge from the coding process – subcategories are the relevant comments by the participants (Crowe, Inder, & Porter, 2015). The next class of grouping that represent more generic categories follows this. These generic categories emerge as a result of consolidation of subcategories. Finally, the grouping of generic categories perpetuates the abstraction process, where a final (main) category emerges (Figure 3.1). This main category helps answer the research question. These steps are highlighted by Elo and Kyngäs (2008). In order to identify possible inconsistencies, trends and prevalent issues, data were analysed both within and across

categories. To ensure that all statements were understood and properly applied in their original context, data were constantly revisited throughout the analyses.

For the most part of this thesis, interviews were analysed using the qualitative content analysis. Qualitative content analysis is one of the most commonly used data analysis technique in qualitative research (Elo & Kyngäs, 2008). It integrates many features of qualitative research such as inductiveness, reflexivity and flexibility (Schreier, 2012; Vaismoradi, Turunen, & Bondas, 2013).

Figure 3.1 illustrates the data structure of our findings for the last paper (Chapter 8) contained in this thesis. Similar processes were followed for all the studies involving qualitative data. All data management and examination of relationship among categories were done using computer software NVivo 11 Pro.
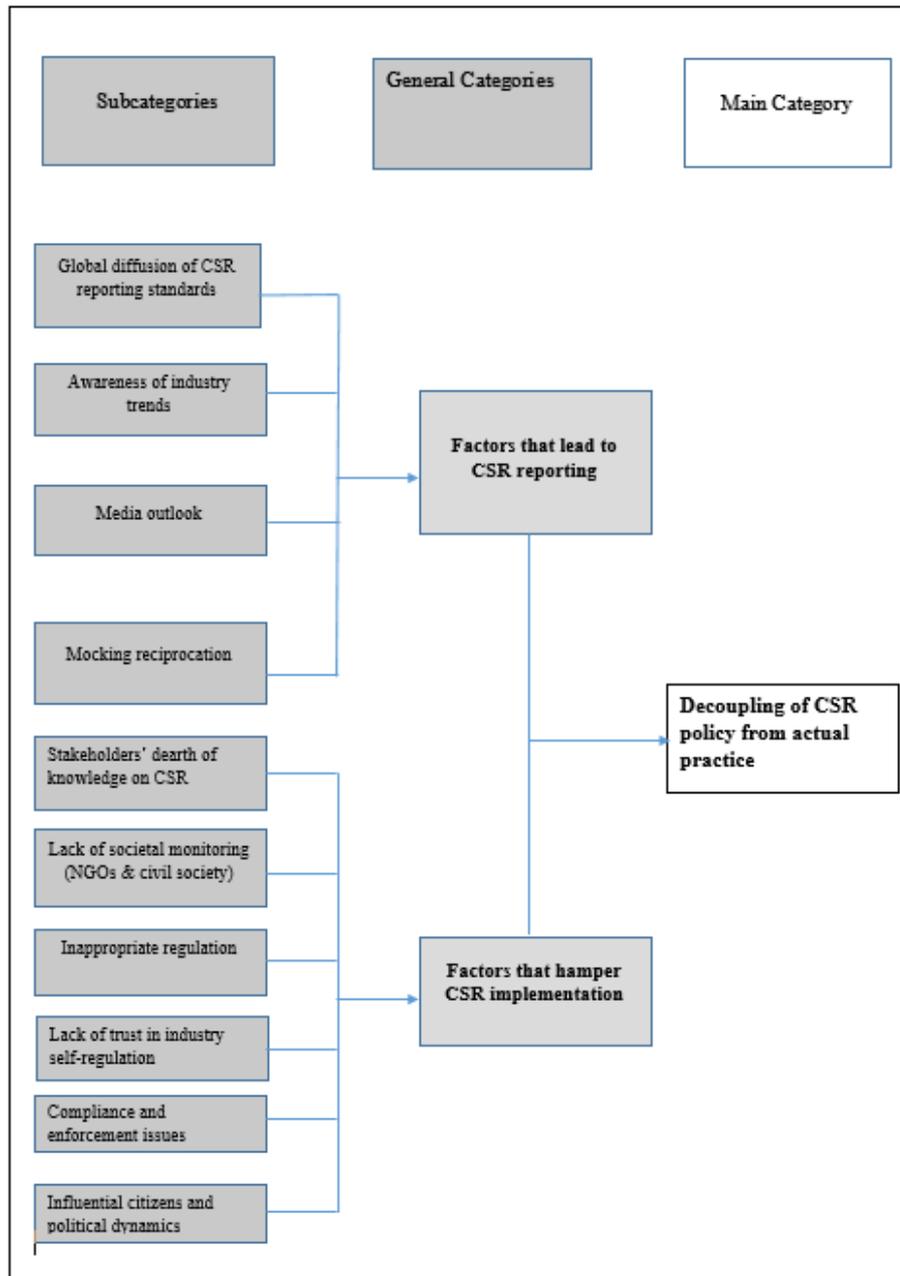
Figure 3.1 Data structure.

3.4.3   Originality checks

This thesis adds to the methodological toolkit in CSR research by highlighting and

rigorously assessing the originality of CSR reporting. Thus, in response to

inconsistencies in traditional CSR research methods (Mayes, Pini, & McDonald, 2013;

McCarthy & Muthuri, 2018), especially when studying CSR unique contexts (Crane et

al., 2018), I propose the use of Turnitin[TM] and TinEyeTM. These tools expanded our understanding of CSR reports in Pakistan beyond the exclusive reliance on verbal conversation of the managers and what is contained in the CSR reports. The complete description of what these tools are, how they are used, and the significance of the output are provided in the last paper entitled *Thinking with the Mouth: Decoupling the Walk and Talk of Corporate Social Responsibility*.

For finding the originality in texts, a select group of company reports were subjected to Turnitin[TM], the online plagiarism detection software (Tshepo, 2010) in a manner not dissimilar to (Abraham & Shrives, 2014). A vague feeling of concern emerged throughout the process concerning socially desirable responding (SDR) (Holtgraves, 2004; Nederhof, 1985). It was thought that originality may be a further proxy for corporate intent, as opposed to either adopting or plagiarising other sources to meet compliance regulations and reporting expectations in annual reports.

For the originality of the images, I used TinEye[TM]. It is a tool identifies genesis of images, developed by Idée Inc., Toronto, Canada. It only takes seconds for TinEye[TM] to search an image among some 38.9bn photos. It tells the searchers where the image was used firstly, what purpose the image search, lastly whether the image is manipulated since its original publication.

I submitted six reports to Turnitin[TM] and TinEye[TM]. The results provided an interesting insight into Pakistan's institutional environment. Different companies were found to have their value statements, statements of conduct and ethics, and even auditor's reports identical to that of other companies and academically published works, as highlighted by Turnitin[TM] results. Similarly, TinEye[TM] identified that the images used by the companies were not always original.

3.4.4 Discourse analysis

I am grateful to the editor and reviewers of the Journal of Business Research for introducing to the study of organisational discourse analysis on the paper *Thinking with the Mouth: Decoupling the Walk and Talk of Corporate Social Responsibility*. One of the reviewers suggested deeper analysis that reveals decoupling by not only emphasising on contents but also the context under consideration.

Broadly, discourse analysis is taken to be the analysis of texts — including written texts, verbal interactions, images, videos and other media (Fairclough, 2005). Such analysis highlights the relationship between the language and social actions — through the production, interpretation and explanation of texts and images. Additionally, Phillips and Oswick (2012) defined discourse analysis as the collections of texts and the contexts in which they occur. According to Crane et al. (2018), discourse analysis research remains nascent in management and organisation discipline overall, and it is considerably overlooked in the field of business and society. Using discourse analysis and visual methods in the field is important because such analysis enhances the relevance and capacity of business and society discipline to address the context where businesses are heavily investing in organisational communication — both in texts and visuals (Greenwood et al., 2018). Thus, annual reports and sustainability reports represent a case in point where business use glossy texts and visually striking documents as persuasion strategies to accomplish legitimacy.

In so doing, I rely on discourse analysis framework of (Fairclough, 1992, 2001) by describing, interpreting and explaining the contextualised meaning or the contents of text and visual images data. More specifically, I examined the discursive dynamics associated with the widespread and taken-for-granted practices of CSR reporting in Pakistan. Neo-institutional theory's research in particular has started to focus on text-

based discourse — its content, rhetoric and argumentation logic (De Vaujany & Vaast, 2016), and has ignored visual elements as new means of legitimation and potentially impression management techniques by the businesses (Meyer et al., 2013). Thus, I have incorporated text and images in our analysis. This is because the meaning of text is shaped heavily by accompanying image, which Barthes (1977) termed as linguistic message. In line with this, texts and images together sources of social and contextual meanings, and they interact to cocreate and reinforce a message that has rhetorical significance (Greenwood et al., 2018). The analysis of how texts and images are rhetorically used in the CSR reports in provided in the *Thinking with the Mouth: Decoupling the Walk and Talk of Corporate Social Responsibility* paper.

I used the same sample of six reports as I used for originality checks. Annual reports in Pakistan are published in English language. I read and reread the reports multiple times and selected three images and related texts. The discourse analysis involves deep reflexivity regarding the researcher's relationship with data that comes in combination with a priori knowledge whereby meaningful interpretation and explanations associated with the cultural and contextual understandings are made (Fairclough, 2001). However, the transparency to the method was maintained yet embracing my subjectivity. For such contextual reasons, rigorous analytical framework and exploring further evidence of decoupling in CSR reports, I chose discourse analysis as an important supplementary method for my study.

Duriau, Reger, and Pfarrer (2007) outlined various advantages of such analysis as a replicable methodology to understand collective and individual structures deeply such as attitudes, values, intentions and cognitions in management and organisation studies. I therefore decided to explore different rhetorical strategies used by means of inductive approach in CSR reporting. The visual dimensions have been used efficaciously in

organisational research, and is spread across many meta-analysis studies (Bell & Davison, 2013), and special issues utilising different level of analysis type of visual artefacts used, and theoretical approach (M. Greenwood et al., 2018). This qualitative data helped us to see the preliminary pattern of decoupling used by the companies.

The quadrangulation (McKernan, 1996) of data created by the content analysis; Turnitin[TM] and TinEye[TM]; discourse analysis; and, the primary data obtained through interviews with key participants suggest that the businesses in a non-enabling institutional context frame a superficial ritual of CSR reporting, devoid of substance. McKernan (1996) describes quadrangulation as a systematic approach that not only refers to several methods of data collection but also to various types of triangulation.

3.5   Ethics approval

As mentioned in chapter one, when I started the PhD journey, I wanted to understand cross-cultural influences of institutional environment on CSR between New Zealand and Pakistan. It was then determined that the study potentially has low risk (see Appendix C for Ethics notification) to human participants.

As the data for the studies contained in this thesis come primarily from annual reports of the sample companies supplemented by interview with the participants; thus, the annual reports were retrieved from companies' websites and not through individual interactions. For the reports that I put through Turnitin[TM] and TinEye[TM], throughout the thesis, the identifiable private information was not provided. For the on-field interviews, all the participant interviewee's information has been concealed — and complete assurance of confidentiality for the fear of being identified as a whistle-blower and of subsequent retribution by organisational insiders under purview of the Research Ethics Procedures at the Massey University.

CHAPTER 4 EMBEDDING CORPORATE SOCIAL RESPONSIBILITY INTO BUSINESS PRACTICE: LESSONS LEARNED FROM NEW ZEALAND

Majid Khan, James C. Lockhart

4.1   Overview

Aim of the chapter: The chapter contributes to the understanding of the changing role of business in society within a New Zealand context. Academics in management and organisations widely share the assumption that the task of government is to provide their respective societies' public goods, while the business of the business is to do business – shareholder primacy. However, this trend is changing, and many companies have started to embed reporting initiatives, and social and environmental responsibilities that go beyond their minimal legal requirements. An analysis of social responsibility in New Zealand is presented in this chapter. The importance of CSR is growing drastically in New Zealand, but the business community as a powerful management concept (Eweje & Bentley, 2006) does not look upon it with explicit enthusiasm. The New Zealand government has aspired to be the first country that is well and truly sustainable, as suggested by the former Prime Minister Helen Clark in 2006. Despite being the least corrupt country in the world (Transparency International, 2017), there have still been some major corporate breaches in New Zealand, such as the collapse of Pike River Coal Limited; successive failures at Fonterra (Lockhart & Fraser, 2014); and, the numerous collapses of finance companies in the aftermath of the global financial crisis. How much has been learned from these earlier experiences and to what extent CSR practices are embedded in business activities is discussed in depth. Finally, CSR education in New Zealand's universities is discussed.

Keywords: Corporate Social Responsibility, New Zealand.

Duplication: Readers are expected to see some overlap with Chapter Two in terms of the theoretical framework, especially the discussion concerning institutional theory. Note that this Chapter includes material in addition to that is being published.

Publication details: This output is published as a chapter (Khan & Lockhart, 2019) in the book *Clean, Green and Responsible? Soundings from Down Under*, published by Springer Nature.

Appended as DRC 16: Massey University's publication contribution form is included in Appendix G.

Referenced as: Khan, M., Lockhart, J., (2019). Embedding corporate social responsibility into business practice: Lessons learned from New Zealand, in: Eweje, G., Bathurst, R.J. (Eds.), *Clean, green and responsible? Soundings from Down Under*. Springer International Publishing, Cham, Switzerland, pp. 87–105.

4.2   Introduction

The political, economic and social history of New Zealand has had a significant effect on the interpretation of corporate social responsibility and sustainability related issues (Roper, 2004) by business. Lawrence, Collins, Pavlovich, and Arunachalam (2006) argued that the concept of CSR is considered seriously in New Zealand whose 'clean and green' image may be tarnished by corporate activities, which are considered harmful for either the environment or society. The latter includes both communities' dependent on business for employment or those exposed to any adverse effects of business on human health. But New Zealand is a signatory and active supporter of the UN Conference on Environment and Development Agenda 21 for Sustainable Development, sustainability was rarely considered in policy formation and enactment

before the 1990s. Business in New Zealand has been observed to lag behind its counterparts elsewhere on CSR (Kloeten, 2014), as only a small number of companies embark on CSR and make the effort to formally report on their CSR activities. Business in New Zealand, like that elsewhere is now facing increased pressure from government, local communities, and other stakeholders and being increasingly held responsible for environmental and social consequences. The dairy industry is a case in point. The contribution to the economy of the New Zealand dairy industry, not unlike mining in Australia is so significant that the impact of the 2007 Global Financial Crisis was relatively minor (Gow & Lockhart, 2016). Yet the same industry today has largely lost the social license of urban dwelling New Zealanders – the cost to the environment being perceived by them as being too high. Therefore, the consequences of business on the environment and communities, once taken for granted as being acceptable are now open to debate regardless of whether or not that debate is well or poorly informed (for example, the pre-election proposed tax on irrigation water by the Labour Party as a means of curing pollution was simply irrational). This chapter contributes to the discussion of CSR in New Zealand business, its adoption or otherwise, and explains the changing background against which expectations of business for social and environmental outcomes are being met.

By way of an introduction though business in New Zealand is, arguably, vastly different than that in any other OECD or other first world country. Three attributes of business in New Zealand are unique. First, and most importantly, the economy is the only one amongst this group of nations that is dependent on land-based industries (pastoral farming, forestry and horticulture). There is no other economy like it amongst top tier nations, where a nation's standard of living is upheld by agriculture. Next, with the exception of three specific industrial sites (Marsden Point Oil refinery; Waiuku

Steel Mill; and, Tiwai Point Aluminium Smelter), there is no other heavy industry. Lastly, the interdependency between listed companies, state owned enterprises, the large cooperative sector and closely held medium-sized companies creates a cohort of generalist decision makers (such as, TMTs, CEOs and directors) with a very broad understanding – not always deep - of the consequence of their actions. It is a small economy, a small population, with a small interconnected business community, amongst which operates only one firm of global significance (Fonterra). Characterised by small-world networks (Hawarden & Stablein, 2009); a principles-based approach to corporate governance (Khan, Lockhart, & Bathurst, 2017); and, a fundamental belief (since 1984) that the free market is a better arbiter of value creation than central government (Lockhart, 2013), New Zealand is unique.

Corporate social responsibility is a broad term which begs the question, such as what is the role of business in society? Shareholder primacy is the issue at debate. How do and how ought businesses deal with environment, society and their employees? And, how and why does business disclose information regarding social performance and environmental impact? (Carroll, 2008a; Crane, 2008). The concept of CSR continues to evolve and expand as businesses seek to adhere to society's ever broadening expectations towards CSR and more sustainable business models (Australian Centre for Corporate Social Responsibility, 2014). Recent developments regarding CSR in the New Zealand context occurred due to the emergence of the Sustainable Business Council (SBC) (Eweje, 2011), part of the Business NZ umbrella, New Zealand's leading business advocate and lobbyist. The development of such an institution illustrates that CSR is growing globally and New Zealand provides no exception. The SBC now provides guidelines, leadership and assistance to the business community in New Zealand. The Council has considered CSR as a central issue in business operations

and decisions (World Business Council for Business Development, 2015, March 07) since its inception. While causality is not necessarily being implied there have been positive developments regarding CSR, and the phenomenon is developing at under the guise of sustainable development, popularly known as the 'Triple Bottom Line' approach (Eweje & Bentley, 2006), and the phenomenon is becoming an integral part of corporate strategy in NZ (Eweje & Palakshappa, 2009).

CSR is not regulated nor is prescribed in New Zealand. Neither the corporate governance principles of the New Zealand Stock Exchange (NZSX) or the Securities Commission (SC) specifically mention CSR (Dobbs & van Staden, 2016) or anything that approaches CSR. But despite the voluntary nature of CSR in the country the concept continues to grow and gain attention of companies, society, academics, media and government. The aim of this chapter is to explore CSR practices in New Zealand. Drawing from prior research, the study contributes to the existing debate on CSR in New Zealand. More importantly, the terms CSR and sustainability have become the source of near daily discussion among business and academic communities in New Zealand. Whether or not their motives are aligned is not debated here. This chapter seeks to add to the more logical and contextually informed analysis of corporate social responsibility by studying sustainability and responsibility practices and how they are diffused in New Zealand by utilising institutional theory lens.

4.3   A brief history of the corporate social responsibility domain

The CSR domain comprises a veritable proliferation of approaches (Windsor, 2006); a multitude of theories (Melé, 2008); and, a variety of dimensions (Fischer, 2004). As mentioned above, defining CSR is not an easy exercise and the theoretical origins of the concept – as opposed to that of practitioners - are difficult to pinpoint. According to

some, it originates in 1920s with the concept of 'venture philanthropy' which relates to human nature attributable to business owners rather than policies of the business itself. However, three decades earlier Andrew Carnegie (1989) a US citizen of Scottish origin, published 'The Gospel of Wealth' in which he argued that the purpose of businessman is twofold, firstly to maximise wealth and second to contribute that wealth to a noble cause. According to Carnegie (1986) philanthropy the primary way through which to make life worthwhile. In the 1930s, Edwards Bernays and Harwood Childs predicted that social responsibility would become very important to the development of businesses. Childs mainly stressed the relationship between the business and its environment whereas Bernays advocated that businesses have public relations advisors to ensure it is well informed of social changes from which to propose appropriate adjustment to organisational policies thereby maintaining congruence between business and societies' expectations. In 1953, Howard Bowen, in his book 'Social Responsibilities of the Businessman' further developed the broadening role of business in society (Bowen, 1953), and it is this publication that is identified as the start of the modern era of social responsibility (see Carroll, 1979). At least from a theoretical perspective anyway.

The decade of 1960s then saw the shift of terminology from social responsibility to corporate social responsibility, the concept that "business and society are interwoven rather than distinct entities (Wood, 1991, p. 695)". In 1966, Keith Davis derived the phrase "the iron law of business responsibility" (cited in Sotomayor, 2011, p. 32). Concurrently, scholars, such as Frederick (1960) advocated the normative ethical foundation of corporate social responsibility (CSR). In the contemporary business world, CSR has gained new resonance. With advent of globalisation, managers in different contexts are increasingly pressured to consider CSR initiatives (Jamali &

Sidani, 2008). The consistent theme to emerge from this brief dialogue is that businesses is now expected to benefit society, the environment and all other stakeholders. And that by doing so business can achieve harmonious growth, sustainable competitiveness and maintain legitimacy within the society that it seeks to serve.

The term CSR has been discussed, debated, argued and researched since the mid-1900s (Fernando, 2013). But the concept began receiving more intensive prominence in the late-1990s which suggests that a new area of research inquiry has emerged, one in which the practices of CSR are now expected to be diffused internationally. However, because the discussion of the concept is still engulfed with varied and fluctuating beliefs and single definition of CSR is yet to emerge (Snider, Hill, & Martin, 2003). This difficulty appears to be attributable to several reasons including that CSR has various dimensions; what passes as socially responsible behaviour has shifted historically; there are perceived differences in commitment, namely symbolic CSR versus substantive CSR (Campbell, 2007); and, some (not all) the literature has a distinct anti-business undertone. Therefore, CSR has become a kaleidoscope. That somehow an institutionalised instrument allowing the appreciation and evaluation of business and its role in society is still yet to emerge.

4.4   What then is corporate social responsibility?

CSR is not an easy term to define (Campbell, 2006). The concept is largely comprised of broader business behaviour to which we – academics, society and business itself - are concerned with that may have measurable dimensions, such as how the business treats employees, environment, community, customers, government and others. This behaviour can subsequently result in the comparison with standards from either

regulation within the jurisdiction or the CSR practices of businesses or a homologation of 'standards' adopted by stakeholders (such as, World Wildlife Fund or Fish and Game New Zealand). Businesses may then respond to these standards in two ways either through the rhetoric of CSR or substantive CSR (Risi, 2016) responses. According to Campbell (2007) businesses are considered to be socially responsible if they are doing two things. They must not intentionally or unintentionally harm any of the stakeholders, and if they do harm stakeholders, then, there must be some rectification whenever the harm comes to their attention. Rectification can be voluntary or in response to external pressures. This interpretation then provides a minimalistic approach to social responsibility – in that harm is avoided, if it occurs it is rectified as opposed to creating better outcomes for these same stakeholders.

This definition of CSR is different from other conventional ones (Campbell, (2006) because harm to the stakeholders by business has been neglected in the past. In fact, he argues that there is not one mention of 'harm' in three comprehensive meta-analyses published on CSR. The considerations of harm are important in the contemporary business environment. For example, there are businesses which are involved in social responsibility practices, such as philanthropy and so on but at the same time found to be involved in irresponsible practices, such as polluting the environment or discriminating against employees. Hence it is harm and the business's response to harm that distinguishes the approach adopted for this study, and it is largely through harm and the response to that harm that New Zealand business examples have been selected.

In summary CSR is a socially constructed, fluid, collection of contested practices and a largely context specific phenomenon (McCarthy, 2015). To impose a limit as to what corporate social responsibility is would undermine the broad perspective which

enables its understanding and the narratives behind decisions and practices of socially responsible behaviour.

4.5   An intuitional theory perspective of CSR

Institutional theory is used for the current study to explain CSR in New Zealand. It has been used previously to study both CSR in general (Bondy, Moon, & Matten, 2012; Brammer, Jackson, & Matten, 2012; Campbell, 2006), and country studies are now growing in terms of quantity and quality (Crane, Henriques, Husted, & Matten, 2016a). Each country or jurisdiction represents a unique range of stakeholders which are considered to have specific expectations of business. The contextual and institutional analysis of corporate strategy and particularly CSR is becoming prominent in research (Brammer et al., 2012; Campbell, 2007; Hamann, Smith, Tashman, & Marshall, 2017; Matten & Moon, 2008). It is now proposed that the jurisdiction's institutional environment that determines the environmental responsiveness of companies, hence it is an important avenue for research (Bansal & Roth, 2000).

According to DiMaggio and Powell (1983) institutional theory sees organisations as open systems strongly influenced by the external institutional environment, such as that created through regulations, beliefs, norms and values. These in turn, both individually and collectively exert significant control over a business in terms of decision making, goal setting, and the selection and implementation of strategy. In order to improve their access to resources, such as employees, allies, and industrial networks (Jarillo, 1988; Thorelli, 1986), business seeks to gain legitimacy through the adoption of behaviour and practices desired by the society (Scott, 2004), interpreted and influenced by the institutions themselves. Institutional theory, therefore, addresses the concept of legitimacy, namely, "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" (Suchman, 1995, p. 574). The goals business supports or appears to be serving, and how those goals are achieved then play an important role in its ability to acquire legitimacy (de Grosbois, 2016; Scott, 2004). Within institutional theory there are three identifiable sources of external pressure coercive, normative and mimetic each of which requires a business to behave in a specific way. Emerging from these multiple sources within a jurisdiction is an expected common response, isomorphism, to the extent that businesses are expected to behave in relatively similar ways (Amran & Haniffa, 2011).

Coercive pressures comprise of formal and informal forces exerted by other organisations on which a particular business depends. According to DiMaggio and Powell (1983) normative pressures come from professionalisation and socialisation, while mimetic pressures stem from uncertainties within the external environment. These pressures are then unavoidable and impact on each business (Meyer & Rowan, 1977). Consequently, these same impacts influence business emerging as identifiable institutions (Amran & Haniffa 2011) through which business adopts or refrains from CSR practices. While no institutional studies of CSR in New Zealand have been completed there does not appear to be constraints as to its application in this jurisdiction.

Schultz and Wehmeier (2010) developed a neo-institutionalisation framework of CSR to highlight how businesses incorporate, carry out and negotiate CSR and why businesses institutionalise CSR. The neo-institutionalisation framework is depicted as a multi-level process (see Figure 4.1). The levels comprise macro-, meso- and micro-levels of the institutional environment. The macro-level institutional environment consists of the three isomorphic pressures identified by (DiMaggio & Powell, 1983).

The meso-level environment describes how businesses incorporate CSR into decision making, practices and reporting and lastly, the micro-level environment describes how CSR is translated by individual members of the organisation who in turn influence how CSR is interpreted and practiced at the meso-level (Paynter, Halabi, & Lawton, 2018). The institutionalisation and internalisation of norms, values, behaviours and structures can be observed to come from both formal and informal processes within the organisation (DiMaggio & Powell, 1991).

The institutional pillars proposed by DiMaggio and Powell (1983) are argued to play an important role in an organisations' ability to embark on CSR or otherwise because they largely determine the survival capacity of a business (Martínez, Fernández, & Fernández, 2016). The meso-level and micro-level contexts then consist of internal interest groups with links to the business who are able to exercise power over decision making on CSR (see Figure 4.1).
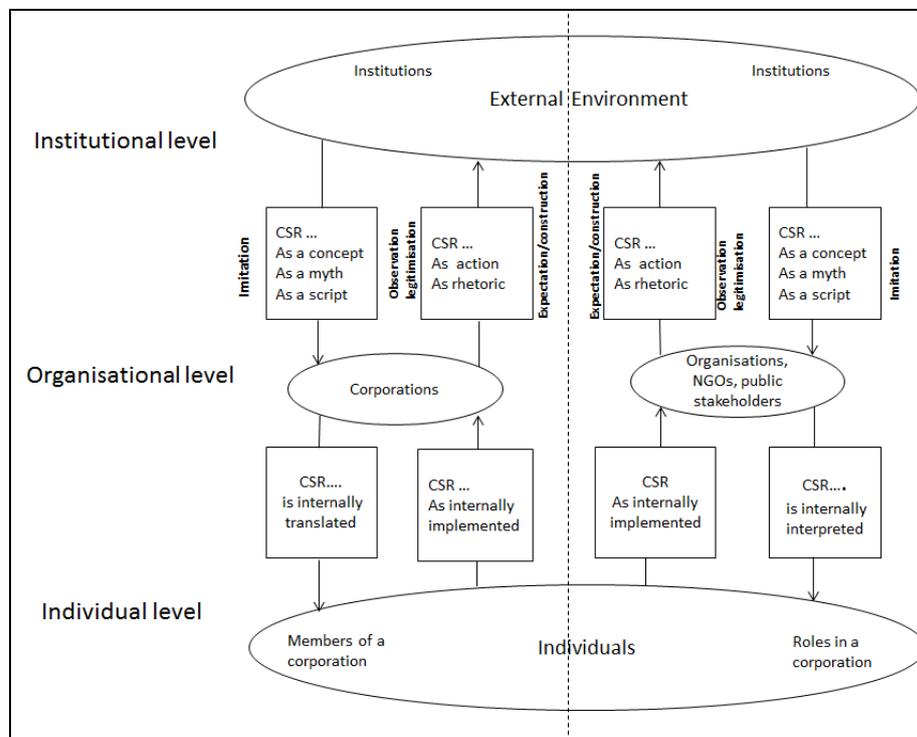
Figure 4.1 Neo-institutionalisation framework, based on Schultz and Wehmeier (2010) whereby the corporates and broader institutions mirror one another.

4.6   CSR and the New Zealand context

New Zealand has a small population (approximately 4.5 million) and a relatively low population density – even in urban areas with an economy largely dependent on agricultural exports and tourism (20% & 9% of GDP respectively). There are some 160,000 businesses operating (Tahir, 2017), with 98% of them numerically being regarded as small and medium sized enterprises (Lawrence et al., 2006), while 80% of employment is provided by the country's large firms.

The country has a strong association with the natural environment due to fast flowing short rivers; an abundance of natural and manmade – hydro – lakes; a long and accessible coastline; mountain regions in both islands; ever present wind (Roaring Forties); and, high rainfall. It now has one of the highest rates of renewable energy amongst the developed world (International Energy Agency, 2015) at 83% from renewables hydro, geothermal and wind (3rd highest in the OECD) the balance being largely generated from gas, coal and oil. However, there are emerging uncertainties with regards to whether the 'clean and green' image has been embedded into corporate social responsibility (Frame, Gordon, & Whitehouse, 2003) or whether the country's increasing dependency on dairy and tourism – of which both attract frequent intense criticism – are actually good sources of sustained wealth creation. In response to these and other causes of environmental degradation, the Ministry of Economic Development has been drawn to state the need for an improvement in environmental performance. All manner of business responses is emerging, but whether or not these are due to government calls, or other sources of motivation is simply not known. For example, Westpac NZ's 'green home loan' in 2007 is one such initiative whose origins are difficult to identify yet were quickly claimed by the government of the time.

71

The now well documented corporate scandals of high-profile businesses, such as WorldCom, Enron and others has fuelled public interest in corporate social responsibility (Lin-Hi & Müller, 2013; Owen, 2005), to which New Zealand is no different. The general public increasingly believe that businesses pay lip service to CSR-related issues and seldom embark on substantive CSR (Risi, 2016), such cynicism has emerged here and large companies and entire industries, especially extractive, but increasingly dairy and tourism are being openly derided for not doing enough regardless of the impacts – or lack thereof – being achieved.

There is now an abundance of literature which points to the fact that businesses accrue financial and non-financial benefits from what is corporate social responsibility. Prompted by these benefits, NZ businesses are realising some of the benefits of CSR, but many researchers are still focussing their attention on the process by which CSR can be incorporated into the business – counting things. It has been argued that NZ businesses is increasingly acting in socially responsible ways through either external forces, such as government regulation, media attention or other external pressures or through normative changes driven from within the organisation (Pajo & McGhee, 2003). Incentives, legislations and codes of compliance can affect corporate decision making depending on the extent to which government nurtures economic development and entrepreneurial society. However, government regulations have pros and cons. Prior to 1984 New Zealand was one of the more centrally planned economies outside of the Soviet bloc (Lockhart, 2013). The influence and regulations of government intruded into almost every aspect of life and business, down to the price of fuel, a loaf of bread and when they could or couldn't be purchased. New Zealand's current approach of a free-market, open-economy emerged through the 1984–1993. One in which the onus of meeting stakeholder expectations sits firmly with decision makers themselves, and one

in which government (until very recently) has always been extremely cautious about intervention. The dominant logic of this principles-based approach is confidence that market forces will ensure conformance with expectations over time (Lockhart, 2014).

Effective enforcement of regulations can be difficult, and it accrues compliance cost for both business and society. In New Zealand, the majority of regulatory mechanisms introduced by require a serious unfortunate event to happen before taking effective action, being mainly reactive in nature (Pajo & McGhee, 2003). For example, the collapse of some 70 finance companies following the GFC owing more than NZ$8.5bn to investors (Lockhart, 2014) provided the catalyst for the Financial Markets Authority; while the deaths of 29 miners at the Pike River coal mine in 2010 was the catalyst for the Health and Safety at Work Act 2015. Whether or not the finance company collapses were inevitable following the GFC remains moot, however, the miner's deaths appear due to the deliberate obstruction of safety systems. In both cases new regulatory regimes and agencies emerged where market forces proved inadequate.

According to Welford, Chan, and Man (2007) a key component of CSR best practice is transparency to stakeholders. Increasingly, CSR initiatives of companies are aligned with government priorities more than any single stakeholder (Coles, Fenclova, & Dinan, 2013). In 1984, after a long history of government regulation, New Zealand embarked upon a new policy direction (Milton-Smith, 1997). Consequently, business culture in the country was eventually transformed. While regulatory reform on workplace health and safety and financial market controls were comparatively lax policy on environmental issues has been intense. Since 1972, The New Zealand Commission for Environment has issued policy on social and environmental issues through the following regulations;

• March 1974 - The Environmental Protection and Enhancement Procedures (EP&EP);

• January 1987 - Environment Act 1986;

 • April 1987 – The Conservation Act;

• October 1991 - The Resource Management Act; and

• June 1996 - Hazardous Substances and New Organisms Act. (Mackenzie (2015, p.

166)

Consequently, New Zealand is ranked as one of the top countries in the world in

terms of environmental performance (Pilot 2006 Environmental Performance Index,

EPI, as cited in Mackenzie, 2015). Environmental quality has been the realm of

successive New Zealand governments through legislation. Bebbington, Higgins, and

Frame (2009) argued that government has been trying to forge links between

environmental issues and the NZ economy.

The Resource Management Act 1991 was a ground-breaking initiative

epitomising the sense of national identity by introducing the term 'clean and green'

(Frame & Taylor, 2005). More recently, government has established a climate

commission and announced The Zero Carbon Act (Sustainable Business Council,

2017b). This Act is intended to be the cornerstone for the transition to a low emission

economy and business is expected to see climate change and clean technologies as an

opportunity for investment and innovation. Businesses are setting ambitious targets to

cut New Zealand's greenhouse gas emissions, despite being only 0.17% of the global

total (NZ Environment Reporting Series, 2018). For instance, Fonterra the world's

largest dairy products exporter announced its target to help New Zealand achieve its

Paris Climate Agreement commitments (Sustainable Business Council, 2017a), and

aims to minimise its emissions to net zero by 2050 for global operations; and, a 30%

reduction by 2030.

Companies, notably those in high environmental impact industries are increasingly conscious of the fact that long term business survival needs investment in a greener future (Charter, 2017). These companies are typically sensitive about their debilitating environmental image and are responsive to institutional pressures including environmental regulations. In response to these pressures, the companies are taking measures for the environmental excellence movement as an important part of their value chain. Heavy industry in New Zealand is confined to three sites, however, extraction (coal, iron ore, native and exotic logging & gold mining) is widespread. Businesses across these sectors have responded to CSR, as much due to the complex ownership mix (NZ privately owned, foreign privately owned, NZ government owned, foreign government owned) as to the demands placed on the sector from legitimate and self-appointed stakeholders. The two industries currently being targeted for urgent improvement in their environmental and social impacts are dairy and tourism – the characteristics of both are widespread, dispersed small business ownership and widespread, dispersed negative impacts on both the environment and society. Quite how each industry manages the cost of nitrification (dairy) and freedom camping (tourism) remains to be seen. With certainty there is a battery of regulation emerging to contain, prevent and minimise the consequences of both, a cost to be born not by corporates but the small to medium sized enterprises themselves. The New Zealand institution of 'clean and green' is, therefore, yet to prevail. Paradoxically in the case of tourism, as it is the same tourists seeking to enjoy this environment are responsible for its wilful destruction.

In recent years, the rate of global environmental degradation has compounded. The environmental movement began in the 19th Century as businesses started mass production with little attention to environmental or social welfare. In the era of

industrial revolution nations fought for industrial supremacy and New Zealand provided

no exception. The real environmental movement was launched in the sixties in response

to the influential publication of Rachel Corson's 'silent spring'. However,

environmental concerns resurged in 1972 at the now historic UN conference on human

environment in Stockholm. The key result of which was businesses starting to go

'green', something to which large New Zealand business has ascribed (for example, Air

New Zealand, 2018). The country is a signatory to the Kyoto Protocol, which means it

aims to protect the environment by reducing greenhouse gas emissions and other

government policies and programmes. A further paradox here is that the single largest

source of greenhouse gas emissions in New Zealand is from ruminant livestock (dairy

in particular) that has, to date, been exempt from the country's Emission Trading

Scheme (ETS). This exemption is a source of much contention between rural and urban

New Zealand; conservative and liberal; business and non-business; and, fuel for the

chattering classes. New Zealand now has the sixth largest footprint per capita (NZPA,

2009, January 31), the area of land and sea area required to support the lifestyle of a

country's population. One reason for that appears to be New Zealanders consumption of

cars, fourth in the world, of which only some can be explained by the rural population

and agriculture.

The institutional environment of New Zealand exerts various pressures such as

coercive, normative and cognitive on business to embark on environmental friendly

business practices. According to Milne, Trididga, and Walton (2008), for the

institutionalisation of social behaviour the government exerted normative pressures on

what was the existing institutional field. Bebbington et al. (2009) argued that research

centres in New Zealand, for example, the Sustainable Development Counsel among

others are stimulating public awareness which helps corporate environmental

responsiveness. There are other groups in the country with outspoken conservation movements, such as the Forest and Bird Preservation Society, and Fish and Game. Demonstrably tension sits in this space, the clean green image being promoted is yet to significantly reshape consumer habits, is problematic for two sectors upon which its success appears to be an imperative, yet is openly embraced by many large corporates.

Bebbington et al. (2009) contended that the government of New Zealand is trying to link environmental and social issues with the economy. Apart from the focus on environmental sustainability, social dimensions are also considered albeit misunderstood by the businesses in New Zealand (Eweje, 2011). Moreover, there are various sustainability awards for companies regarding responsibility and sustainability initiatives (ibid.). Around 60 awards in NZ are provided, the judges comprising of practitioners and academicians decide winners. This encourages businesses to enhance their sustainability and CSR initiatives. Tregidga and Milne (2006) argued that in a relatively weak normative and coercive pressures' context (like New Zealand) in addition to coupling of institutional pressures and organisational dynamics, the institutionalisation of CSR in the institutional field become fragile. Do all businesses follow the path of CSR and sustainability (Milne, Kearins, & Walton, 2006)? In such a milieu, the institutional pressures and strategic benefits related to this position may be lost (Bebbington et al., 2009). In line with this, Eweje and Palakshappa (2009) contended that immense pressures from society in which the business operates have led to collaborations in New Zealand and this results in enhanced social perception as well as gain legitimacy to operate and access resources. Overall, the social performance of businesses in NZ is improving and CSR has become an integral part of corporate strategy in the country.

Corporate social responsibility is not yet a dominant management phenomenon in New Zealand (Eweje & Bentley, 2006; Keeper, 2011). As observed there has been a significant shift in this regard and businesses are increasingly bringing CSR and sustainability into the heart of their strategies (Australian Centre for Corporate Social Responsibility, 2016). Despite the introduction of a plethora of environmental regulations, the concept of corporate social responsibility remains deregulated and purely voluntary in New Zealand (Frame et al., 2003). With respect to socially responsibility, New Zealand is one of the least regulated countries in the world considering the 'market driven' philosophy that has prevailed in the country. Given the emphasis on deregulation, one might expect business organisations in New Zealand to be proactive in managing their CSR and institutionalise it into their practices and decision making. The only exception being strict workplace health and safety regulatory reform. Businesses take voluntary CSR initiatives in order seek legitimacy from their stakeholders by ensuring that the business' values are in congruence with that of the society (Chauvey, Giordano-Spring, Cho, & Patten, 2015) they seek to serve. Organisations adopt different strategies to enhance their legitimacy. These might include manipulating organisational behaver or manipulating perception of different stakeholders regarding the organisation (Dobbs & van Staden, 2016). According to Newson and Deegan (2002) voluntary CSR can be used as one of these strategies. ACCSR (2017) reports that 359 people representing 45 businesses in New Zealand participated in their survey, the largest ongoing longitudinal study of CSR practices down under. Companies came from a diverse range of sectors, such as banking, transport, manufacturing, accommodation and hospitality, professional services, and oil and gas among others. This now annual review of the state of CSR in New Zealand and Australia found that almost half (48%) of the respondents support regulation for CSR

reporting, namely disclosure. They also responded (82%) that emerging priorities will relate to the effective management of regulation. Other priority issues reported are managing stakeholders (76%) and managing technology (74%) such as privacy. Finally, the top future goals regarding CSR were identified as gender equality (ironic given NZ's record on women's suffrage), work conditions and economic growth, climate action, good health, and wellbeing and responsible consumption and production. Quite how the tension across this mix is to be resolved is, for the time being left to chance. Incidentally, the top three performers on CSR in New Zealand are Air New Zealand, Toyota NZ and Westpac.

4.7   CSR education in New Zealand's Universities

Corporate social responsibility, business ethics and sustainability have received increasing attention from business schools (Doh & Tashman, 2014). The increased focus on CSR through both teaching and research is, in part, due to the numerous corporate scandals, such as Enron, WorldCom, Andersen and others. The fact that majority of the perpetrators were educated in b-schools, does little to dampen the view that the b-schools themselves are somehow culpable (Ghoshal, 2005; Sharma & Hart, 2014; Swanson & Frederick, 2003). At the extreme end of this argument is the view that b-schools are "guilty of having provided an environment where the Enrons and the Andersens of the world could take root and flourish" (Mitroff, 2004, p. 185). Mitroff further considered schools as active partners and co-conspirators in criminal behaviour of businesses. Assigning causality between these headline scandals and b-schools verges on the hysterical rather than empirical, nonetheless CSR education is now seen as having significant relevance in management and organisational studies (Branco & Delgado, 2016), especially considering that those who graduate are likely to have

implement and manage CSR in their respective organisations. Arguably, it is social responsibility that should be taught as one of the main objectives of b-schools (Gioia, 2003; Mitroff, 2011); one where the consequences of and sources of business performance are explored in full.

Business schools started to add ethics and social responsibility courses to curriculum during the 1960s and 1970s (Sharma & Hart, 2014). With the advent of globalisation responsibility and ethical issues began to transcend national barriers were observed to be valued across many cultures. In a recent study comparing ethics, corporate social responsibility and sustainability practices between New Zealand and Australia b-schools Rundle-Thiele and Wymer (2010) nine universities in Australia and only one university in New Zealand were found to not have any dedicated course promoting sustainability, fostering sense of social responsibility and ethics training.

Six of the seven b-schools in New Zealand now participate in Principles for Responsible Management Education (PRME, 2018). PRME is a voluntary engagement platform for academics to transform research, teaching and thought leadership in support of universal values of social responsibility, ethics and sustainability. The University of Waikato Management School was the first to join in 2008, Massey University College of Business in 2011, University of Canterbury Business School in 2012, Auckland University of Technology Business School and University of Auckland Business School in 2013 and Victoria Business School in 2014 as depicted in Table 4.1.

The University of Waikato Management School and Massey Business School appear to have the most developed CSR, sustainability and business ethics programmes. Courses focus on issues of environmental management, corporate social responsibility and other areas related to the role of business in society and workplace well-being. Both universities have active research groups of faculty and graduate students exploring the

adoption and reporting processes of CSR by NZ business. The University of Canterbury

offers courses such as business & society and the environment, business and

sustainability, environmental economics, social and environmental reporting and

managing corporate responsibility. Besides, offering a number of courses the university

also has a research group called sustainability and innovation with the aim to conduct

applied and theoretical research on sustainability and innovation.

Table 4.1 Participation of New Zealand Universities in PRME.

Name (ascending order)	Communicating Participation	Date Join
Auckland University of Technology Business School	Advanced signatory	18 Oct 2013
Massey University College of Business	Advanced signatory	30 Mar 2011
UC Business School	Advanced signatory	05 Oct 2012
University of Auckland Business School	Advanced signatory	25 Oct 2013
University of Waikato Management School	Basic Signatory	01 Apr 2008
Victoria Business School	Advanced signatory	09 Jun 2014

Source: PRME (2018)

The University of Waikato Management School and Massey Business School appear to

have the most developed CSR, sustainability and business ethics programmes. Courses

focus on issues of environmental management, corporate social responsibility and other

areas related to the role of business in society and workplace well-being. Both

universities have active research groups of faculty and graduate students exploring the

adoption and reporting processes of CSR by NZ business. The University of Canterbury

offers courses such as business & society and the environment, business and sustainability, environmental economics, social and environmental reporting and managing corporate responsibility. Besides, offering a number of courses the university also has a research group called sustainability and innovation with the aim to conduct applied and theoretical research on sustainability and innovation.

Auckland University of Technology provides a major in sustainable enterprise, while the neighbouring University of Auckland also provides courses on CSR, such as responsible business and sustainability. Similarly, there are research interest groups at Victoria University Wellington, namely, philosophy ethics and social theory research interest group and social and environmental accounting research group, among others, working towards sustainable future and clean and green environment. Finally, the University of Otago and Lincoln University also deserve mention, while not signatories to PRME they both offer a variety of courses on CSR and sustainability. This is due to the fact that Lincoln University offers a course with a prefix BMGT 301 Business and Sustainability since 2007.

Embracing CSR, especially the implicit challenge to shareholder primacy sits comfortably with many b-school academics. Few are reportedly conservative in their outlook (Munitz, 2000; Orser, 1992). Hence, Mitroff (2011) accusations appear misplaced. In New Zealand all the b-schools have been demonstrated to embrace the CSR agenda, and consequent promotion of social responsibility, business and sustainability, environment. The tertiary education sector is demonstrably contributing, through which its own institutions ought to emerge over time.

4.8 Conclusion

In summary, corporate social responsibility has remained a contested territory for many researchers. Notwithstanding, in general the ongoing debate is not focussed on whether businesses consider embarking on CSR but why would businesses be socially responsible, what are the underlying institutions which force business to consider socially responsible behaviour, and the nature and extent of that wider responsibilities. Additionally, CSR is considered as a taken for granted assumption in many developed countries. However, there are no requirements from the Securities Commission and corporate governance principles and guidelines in New Zealand regarding CSR. Businesses in New Zealand continue to recognise that good stakeholder management ensures new opportunities, prudent risk management and access to vital resources (Sustainable Business Council, 2015). However, CSR agenda of businesses in New Zealand puts more emphasis on reducing environmental impacts and less on global sustainability issues. There is a lack of well-developed CSR and sustainability initiatives in the country with very few exceptions. This is due to the lack of organised pressures from various stakeholders on businesses in New Zealand (Eweje, 2011).

Business in New Zealand are facing increased pressure from government, local communities, and other stakeholders and being increasingly held responsible for environmental and social consequences. Although, CSR in New Zealand is not regulated, businesses face numerous pressures regarding environmental and social responsibilities from various stakeholders. In some industries the pressures are more intense (high impact industries), compare to others. Institutional theory suggest that a number of various institutional conditions exert these pressures on businesses to shape CSR. Detailed empirical studies are required in order to identify underlying institutions that effect a business' choice to conduct CSR or otherwise in New Zealand.

Finally, CSR education in New Zealand seems to be a concern of business schools. Currently, almost all the major business schools in the country are offering courses on CSR, sustainability and ethics. Moreover, many academicians and PhD scholars are focussing their research on CSR. The creation of research groups at business schools dedicated to CSR research are further developing the research in this area.

CHAPTER 5 INSTITUTIONAL IMPACTS ON CORPORATE SOCIAL RESPONSIBILITY: A COMPARATIVE ANALYSIS OF NEW ZEALAND AND PAKISTAN

Majid Khan, James C. Lockhart and Ralph J. Bathurst

5.1   Overview

Aim of the chapter:

This chapter explores and contrasts the relationship between institutional mechanisms
and corporate social responsibility (CSR) in Pakistan and New Zealand. Institutional
factors are normally categorised as being either formal or informal. It is argued that a
combination of formal institutions and informal institutions in any jurisdiction shape the
adoption, or otherwise of CSR by business through its adherence to acceptable
governance praxis. Corporate regulation in Pakistan is heavily influenced from
elsewhere, especially from British common law. By contrast the institutional realities
produce remarkably different outcomes in the two jurisdictions. This study examines
which formal and informal institutions influence CSR disclosure, in that businesses are
found to disclose CSR practices in response to regulations; cognitive pressures that help
people understand and interpret the practice correctly; and, cultural values enforcing the
same practice. Quantitative content analyses of a sample of eight listed companies'
annual reports were completed from each country. Reporting and disclosure practices
were identified in both. Underlying institutions were then recorded as being recognised,
acknowledged or inferred by the respective reporting business. The results highlighted
that Pakistani companies disclose more about CSR than those analysed from New

Zealand. This result is attributed to the recently developed corporate governance guidelines by the Securities and Exchange Commission of Pakistan. The informal national institutions in both countries also play a vital role in the disparity of disclosures. This is not to suggest that New Zealand listed companies lag behind those in Pakistan with respect to their contribution to CSR initiatives, simply that the disclosure levels between the two favour those companies in Pakistan.

Duplication: There is some duplication here between Chapter Two and Chapter Three in terms of theoretical and methodological frameworks used in this analysis.

Publication details: This paper was first presented at 4th International Conference on CSR, Sustainability, Ethics & Governance, Perth, Australia. Later, *International Journal of Corporate Social Responsibility* invited this paper (Khan, Lockhart, & Bathurst, 2018b) for publication, now published as:

Referenced as:

Khan, M., Lockhart, J.C., Bathurst, R.J., (2018). Institutional impacts on corporate social responsibility: A comparative analysis of New Zealand and Pakistan. *International Journal of Corporate Social Responsibility 3*(1), 1–13.

Appended as DRC 16: The Massey University's publication contribution form is appended as Appendix G.

Keywords: Corporate social responsibility, corporate governance, regulation, institutional theory, New Zealand, Pakistan

5.2   Introduction

To be accountable to stakeholders and society at large, businesses have increased the issuance of corporate social responsibility reports explaining the impact of their

activities on the environment and the use of natural resources (Garcia-Sanchez, Cuadrado-Ballesteros & Frias-Aceituno, 2016). Earlier studies have explored the relationship between CSR and subsequent financial performance (Cochran & Wood, 1984; Jitaree, 2015; Sweeney, 2009) or business attributes, such as size (Udayasankar, 2008), business risk (Jo & Na, 2012), and industry membership (Hull & Rothenberg, 2008). In their landmark meta-analysis of CSR studies from 1972 to 2002, Margolis and Walsh (2003) argued that in only about 15% of studies CSR was taken as a dependent variable. However, according to Luo and Bhattacharya (2009) the question of the merits of CSR still lingers. Attention needs to be directed to the institutional mechanisms that result in the implementation of CSR (Doh & Guay, 2006). Business response to accountability pressures from stakeholders is becoming even more convoluted. These pressures have been identified as being either coercive, normative, or mimetic. In responding to these pressures reporting on environmental, social, community and corporate governance has emerged as an important criterion for investment decision making (Eccles & Krzus, 2010). However, disclosing CSR outcomes through various reports remains far from consistent, especially in the developing world.

Despite the vast literature on CSR, meanings, application and interpretation appears to differ from one context to another (Kang & Moon, 2011). De Bakker, Groenewegen and Den Hond identified relations between CSR and the broader literature on comparative capitalism and set the tone for comparative institutional research on CSR (as cited in Jackson & Apostolakou, 2010; Matten & Moon, 2008). For example, they posed the now famous question asking why CSR is an implicit element of the institutional framework of corporations in Europe, whereas it is an explicit element of corporate policies in the United States of America. Much of the research on CSR has been conducted in the developed world (North America & Europe)

but interest is now growing in larger emerging countries (Aguinis & Glavas, 2012;

Karam & Jamali, 2017). In addition, there is a clear scarcity on how CSR is understood,

practiced and evaluated across different cultures (Diehl, Terlutter, & Mueller, 2016;

Fifka, 2013; Matten & Moon, 2008). Therefore, we lack understanding of different

national interests, viewpoints and identities. In other words, there is a paucity of

understanding on how the responsibilities of companies and various actors are

constructed in different institutional and national settings. In order to address this

deficiency this study compares the CSR disclosure practices of a sample of listed

companies in New Zealand with a comparable sample in Pakistan.

The regulatory environment in New Zealand does not prescribe social and

environmental disclosure (Dobbs & van Staden, 2016). Neither the Companies Act,

1993 nor the Financial Reporting Act, 1993 requires companies to include CSR-related

information in their annual reports. Furthermore, there is no mention of CSR disclosures

in corporate governance principles of either the New Zealand Stock Exchange or

Securities Commission New Zealand. Blackmore (2006) argued that traditionally New

Zealand's approach in reforming corporate governance has been led by the Financial

Market Authority (FMA). New Zealand is not the only country that does not prescribe

CSR disclosure. For example, in a comparative analysis of corporate governance in

New Zealand, Australia and the United States of America Blackmore (2006) observed

that they have contended that these countries have near analogous capital markets and

company law. Given that New Zealand and Pakistan also have near identical

regulations, their foundations both being from British common law, the aim of this

study is to conduct a comparative analysis of regulatory and institutional mechanisms

that shape CSR disclosures in each jurisdiction.

Following the developed world, the Securities and Exchange Commission of Pakistan (SECP hereafter) introduced voluntary guidelines for corporate social responsibility practice and disclosure (Securities and Exchange Commission of Pakistan, 2013). The CSR guidelines are provided in order to integrate decisions and operations of the business with responsible practices. As recently as November 2017, the SECP issued the listed companies (Code of Corporate Governance Regulation, 2017) and provided additional policies regarding CSR. The regulation focuses on social, environmental and governance in addition to aligning health and safety aspects in business strategies that promotes sustainability. "This includes but is not limited to corporate social responsibility initiatives and other philanthropic activities, donations contributions to charities and other social causes" (Securities and Exchange Commission of Pakistan, 2017, p. 5). The 2017 code requires the CEO of listed companies to publicly identify issues, such as the implementation of environmental, social, health, and safety practices for decisions by the company's board of directors. However, due to the distortions in the economy market forces in Pakistan do not yet appear to punish unethical practices or reward good governance (Tahir, Muhammad & ul Haq, 2012), despite the development of the code and respective CSR guidelines. For example, the promotion of transparency and accountability in business is effectively discouraged due to the relatively large size of the undocumented economy. Previous studies have highlighted that there is weak corporate governance and infraction in Pakistan, however, the actual literature on CSR disclosures in Pakistan is scant. A small number of studies have focussed on CSR disclosures and there is a call for academic inquiry into the matter in developing countries (Haji, 2013; Belal & Momin, 2009; Lone et al., 2016). This study, therefore, contributes to the disclosures literature by explaining the difference of CSR discloses between a developing and a developed country. The

study explores the institutional settings under which the regulatory and informal

institutional environment have an influence on corporate social responsibility.

5.3   Corporate social responsibility disclosures

Margolis and Walsh (2003) observed that businesses are increasingly considered to

resolve societal problems. This is because organisations are facing numerous pressures

from stakeholders in the contemporary business environment. Corporate social

responsibility is an umbrella term for the relationship between business and society.

Baumann-Pauly, Wickert, Spence, and Scherer (2013) defined CSR as integration of

environmental, social and ethical considerations into business conduct, often in line

with the interests of stakeholders. The definition suggests that businesses not only

operate for efficiency but also include accountability to stakeholders. CSR can then be

used as a means of communication to a particular group of stakeholders by the

businesses (Jitaree, 2015). One of the key tools for communicating information to

company stakeholders is through CSR reporting (Haji, 2013; Fifka, 2013; Golob &

Bartlett, 2007; Xiaowei Rose, Danqing, & Jianjun, 2017). Various reasons behind CSR

disclosures include, but are not limited to enhancing financial performance (Platonova,

Asutay, Dixon, & Mohammad, 2018; Qiu, Shaukat, & Tharyan, 2016); strengthening

company reputation (Birkey, Michelon, Patten, & Sankara, 2018; Unerman, 2008);

compliance with regulation (Birkey, Guidry, Islam, & Patten, 2016); and, to gain

legitimacy (Bachmann & Ingenhoff, 2016; Chauvey, Giordano-Spring, Cho & Patten,

2015).

Businesses use CSR reporting as a tool to inform different stakeholders about

environmental, social and other related issues. The "public information model" explains

the basic form of CSR reporting (Grunig, 1989, p. 22). This model should provide

information "to the public on what the organization has done to be responsible and should explain lapses into irresponsibility" (Grunig, 1989, p. 48). Businesses then appear to use these reports as a tool through which to legitimise their activities (Hooghiemstra, 2000). These reports can be mandatory or discretionary (van der Laan, 2009). Those defending mandatory disclosures argue that disclosures should be regulated by the state and to get accurate information and to protect a nation's citizens (Doane, 2002). However, disclosures are only slowly gaining advocacy and largely remain in an underdeveloped form. At the heart of voluntary disclosure is the demand for information by a specific group of stakeholders (van der Laan, 2009). Van der Laan further argued that voluntary disclosure might involve a separate disclosures section, such as, stand-alone social sustainability or environmental disclosure or involve various management discussions and explanations.

Lenssen, Blagov, Bevan, Vurro and Perrini (2011) argued that the response of business to social pressure results in prestige and social acceptance. Accordingly, many countries have issued guidelines regarding CSR disclosures and good governance, for instance, the Combined Code in the United Kingdom; the OECD guidelines; the German Code; the Austrian Code; and, the Second King Report in South Africa. These recommendations and guidelines are attributed to have had a spectacular influence on the socially responsible behaviour of business (Spitzeck, 2009).

The idea that institutional pressures influence CSR disclosures is central to the current study. By focussing on two different institutional settings, the study looks to further unpack the different formal and informal institutional pressures that help to understand the reason behind disclosures. The CSR reporting issue is becoming more prevalent not only at national level but globally (Golob & Bartlett, 2007; Tschopp & Huefner, 2015). Research on CSR disclosures is dated from the late 1980s. Since then

there has been a dramatic increase in research inquiries on the subject (see Hackston &
Milne, 1996). Most inquiries have focused on environmental disclosures rather than
emerging social issues (Parker, 2014). Additionally, the majority of the disclosure
studies have been based in developed world and developing countries have received
little attention (Fifka, 2013) to date.

5.4   CSR reporting in Pakistan

One of the oldest civilisations in the world is in the Indus Valley (South Asia), dating
back 5,000 years, and now spread over what is today Pakistan. Pakistan is the 6th most
populated country in the world with a population of approximately 200 million
(Warriach, 2017), with a total land area of 796,095 sq km. As of 2017, Pakistan remains
an economically weak country with a purchasing power parity (PPP) per capita of
US$5,100.

When it comes to research on CSR, South Asia has been the recipient of less
attention than East Asia. Furthermore, CSR studies in South Asia are predominantly
focussed on Bangladesh and India. Pakistan has received less attention from CSR
studies in general and disclosure studies in particular (Ahmad, 2006; Hassan et al.,
2012). To date, the concept of CSR in Pakistan has largely been limited to discussions
in the media (Waheed, 2005), despite corporate governance reforms for listed
companies by the SECP (Javid & Iqbal, 2010). While it is commonly argued that
Pakistani companies lag behind in CSR initiatives there companies that appear to be
taking CSR seriously and actively contributing to society (Shahid, 2012). The CSR
practices of Pakistani companies are primarily oriented towards philanthropy (Ahmad,
2006). Jabeen and Khan (2008) contended that culture, religion and family traditions are
the factors that compel both organisations and society to involve in charitable activity.

The bulk of such donations go to the health and education sectors. Additionally,
companies have started to engage in broader environmental, community and social
issues. However, in an age of growing CSR and global awareness, corporate scandals
exist in Pakistan commonly in the shape of exploitation of workers (Ashraf, 2018),
child labour (Delaney, Burchielli, & Tate, 2016), and other corporate abuses.
Multinational companies in Pakistan are now taking the lead in the implementation of
CSR and have specialised departments to design and publish on the role of their
businesses in society in annual reports or one off sustainability reports. Raza and Majid
(2016) argued that SMEs are largely unaware of the idea of being socially responsible,
however, some improvement has been noted. CSR activities in Pakistan, while
prescribed are voluntary with respect to disclosure of corporate, labour, environment,
and consumers protection. According to Ahmed and Ahmed (2011) there is a lack of
uniform laws compelling businesses to consider CSR and few industries have
developed ethical principles and codes of conduct. There is, however, a general
perception among businesses that CSR relates to philanthropy (Sajjad & Eweje, 2014),
and that CSR is not linked to the creation of shared value. As the majority of the
population in Pakistan lives in rural areas (approximately 70%), CSR has the potential
of creating differences in rural development, health care, community empowerment,
education, awareness about rights and duties, perception of laws, entrepreneurship
opportunities, ensuring transparency, development of infrastructure and enhancing
business performance (Ahmed & Ahmed, 2011).

Following these global traditions, voluntary guidelines for CSR have been issued
by the SECP (SECP, 2013). Lone et al. (2016) noted that that these guidelines are
directed at business in Pakistan with the aim to better motivate them towards socially
responsible conduct. Furthermore, the guidelines recommend that businesses have a

CSR policy incorporated by their board, reflected in the form of their commitment to reporting CSR-related activities. The SECP is now playing a pivotal role in promoting a culture of socially responsible business (Ahmad, Taiba, Kazmi & Ali, 2015) because the presence of independent monitoring organisations and state regulation are likely to stimulate CSR-related activities (Campbell, 2007). For example, Haji (2013) argued that the initiation of the Silver Book for Malaysian publicly owned companies resulted in a drastic increase in CSR disclosure in that jurisdiction. Similarly, Lone et al. (2016) observed that companies disclosed more CSR related activities in Pakistan following the introduction of CSR guidelines. But the extent of these disclosures appears to vary considerably across industrial sectors.

5.5   CSR reporting in New Zealand

New Zealand is a geographically isolated developed country located in the South Pacific Ocean, its closest neighbour of significance being Australia (it is 2,161km from Sydney to Auckland). New Zealand is a small country, similar in size to either Great Britain and Japan, with a small population of 4.5 million. It has a fascinating history reflecting a unique mix of European and Maori culture. New Zealand has an open market that works on free-market principles. It is considered one of the most deregulated economies amongst the OECD (Kelsey, 1995; Frame, Gordon, & Whitehouse, 2003). Major exports include tourism, dairy products, logs and timber, lamb and beef.

Roper (2004) argued that the political, social and economic history of New Zealand has significant effect on its response to social responsibility and sustainability issues. As recently as the 1990s CSR was not publicly considered (Roper, 2004). CSR is still not a dominating phenomenon in New Zealand; however, it is now growing

rapidly in the contemporary business environment (Eweje & Bentley, 2006). Recently,

major CSR practices in New Zealand have been centred around environment and social

issues among others. Collins, Roper, and Lawrence (2010) argued that businesses in

New Zealand are more engaged in social practices than environmental sustainability

practices. The most common social issue tackled was found to be provision of

employees for time and money for charity, while the most common environmental-

oriented practice was recycling by companies (Fernando, 2013).

Environmental and social disclosure is not legislated within the current New

Zealand reporting system (Dobbs & van Staden, 2016). The Companies Act 1993 does

not require companies to include information about corporate social responsibility in

their annual reports nor does the Financial Reporting Act 1993 require the reporting of

environmental and social activities (Hofstede, Hofstede, & Minkov, 2010; Ministry of

Business Innovation and Employment, 1993, p. 105). In addition, the New Zealand

Stock Exchange (NZSE) has no requirement for CSR discloses by listed companies

(Dobbs & van Staden, 2016). Furthermore, neither the corporate governance principles

of the Financial Market Authority nor the NZSE specifically covers CSR, although the

principles implicitly embrace the concept of CSR. Reporting of CSR is, therefore,

entirely voluntary in New Zealand. Many other countries that also make no specific

CSR disclosures mandatory (Dobbs & van Staden, 2016).

Businesses in New Zealand are observed to provide very few reports regarding

specific social and environmental disclosures (Reddy, Locke, & Scrimgeour, 2010). The

KPMG survey of international CSR reporting identified only 27 of the top 100 listed

companies in New Zealand disclosing information regarding CSR activity (Dobbs &

van Staden, 2016). The scarcity of consistent guidelines or regulations regarding the

quality and structure of CSR disclosures have led those companies that do report on

social and environmental activities to use a wide variety of tools, techniques and

disclosures (Reddy et al., 2010). So, while reporting is not mandated various tools and

measures are being employed and reported upon in a manner anticipated by a free

market.

5.6 Theoretical framework: Institutional theory

According to Berger and Luckmann (1966) institutions refer to a certain

exemplification where under a certain situation X, an actor Y, is expected to do Z.

Alternatively, institutions are considered to be a habitual pattern of behaviour which

further enables or constrains people. Streeck and Thelen (2005) contended that a

specific way of doing things can be considered as institutionalised within a context to

the extent that subsequent deviant behaviour will result in loss of legitimacy, and likely

result in social sanctions. According to Brammer, Jackson, and Matten (2012), this

applies to both the formal and informal instructions in society. New institutional theory

encompasses normative regulative and mimetic dimensions explaining why

organisations become isomorphic within an organisational field over time (DiMaggio &

Powell, 1983). Therefore, one of the most important dimensions of institutional theory

is isomorphism. The process of isomorphism refers to similarities or homogenisation

(DiMaggio & Powell, 1983). In line with this, they defined isomorphism as the forces

that enable or constrain one organisation in an organisational field to resemble other

organisations facing similar prevailing institutional conditions. Isomorphism can further

be categorised into two components, institutional isomorphism on the one hand and

competitive isomorphism on the other (Moll, Burns, & Major, 2006). Competitive

isomorphism refers to "how competitive forces drive organizations towards adopting

least-cost, efficient structures, and practices" (Moll et al., 2006, p. 187). Whereas

according to DiMaggio and Powell (1983), institutional isomorphism was further broken down into three sub- categories, coercive isomorphism, normative isomorphism, and mimetic isomorphism. Each of the three sub-categories of institutional isomorphism are now discussed.

Coercive isomorphism relates to external factors, such as government regulations and shareholders' and employees' influence. Such pressures arise because of powerful actors, such as government regulation or industry self-regulation to change organisational institutional practices, for example, CSR (Deegan & Unerman, 2009). Because of the sector-wide impacts of coercive isomorphic organisational responses tend to converge over time.

The second type of isomorphism is mimetic. Mimetic isomorphism occurs when organisations trying to copy or emulate the practices of other organisations to gain a competitive advantage in the form of legitimacy. DiMaggio and Powell (1983) discovered that one of the powerful factors that emerge with mimetic isomorphism is uncertainty. Organisations will risk legitimacy if they fail to follow procedures adopted by other organisations or adopt innovative practices within the same institutional field (Unerman & Bennett, 2004). Therefore, organisations adopt CSR practices in order to enhance and maintain their legitimacy, especially legitimacy relative to their competitors.

The last type of isomorphism is normative isomorphism which emerges from the common values underpinning specific institutional practices. Deegan and Unerman (2009) contended that a form of normative isomorphism occurs when there is a professional expectation, such as that to which accountants comply with accounting standards while producing accounting reports. Similarly, a voluntary CSR initiative may

also be considered a form of normative isomorphism as it is increasingly adopted over time.

Irrespective of organisational efficiency or actual usefulness of the specific isomorphism, these processes lead organisations to adopt similar management practices and structures within their industry over time (Carpenter & Feroz, 2001). In line with this, Carpenter and Feroz (2001) argued that organisations will respond to pressures from the institutional environment adopting the various forms that are regarded appropriate. Therefore, institutional theory locates corporate social responsibility within a broad area of economic governance comprising various modes, such as state regulation, the market, and beyond (Brammer et al., 2012). Institutional theory provides an important and powerful oversight from which to understand the attitudes and practices in a specific context (DiMaggio & Powell 1991). Kang and Moon (2011) argued that the institutional context of an individual country determines what business conducts means to those organisations operating in that context. From this position Matten and Moon (2008) in their landmark contribution on implicit and explicit CSR illustrated the difference between the United States of America and Europe, where CSR was found to be an implicit element of the institutional framework of corporations in the Europe but an explicit element of corporate policies in America.

Brammer et al. (2012) argued that research adopting the lens of institutional theory to explain business responsibilities has been focused on the diversity of CSR and the dynamics of CSR. Their observation concurs with the two conspicuous schools of thought in institutional theory:

"New institutionalists tend to emphasize the global diffusion of

practices and the adoption of these by organizations, but pay little

attention to how such practices are interpreted or 'translated' as

they travel around the world [...]. The business systems approach

highlights how business continues to be influenced by the national

institutional frameworks in which it is embedded, but tends to

play down the effects of transnational developments on national

patterns of economic organization". (Tempel & Walgenbach,

2007, p. 2)

The diversity perspective in institutional theory has been employed in CSR research to

explain cross-national differences in CSR practices (Gjølberg, 2009; Jackson &

Apostolakou, 2010). A comparative view on CSR helps understand the country specific

meanings of CSR as a management function. CSR as a US concept (Carroll, 2008a),

can hardly be understood without understanding the institutional environment under

which the idea was considered. In line with this, Doh and Guay (2006) argued that the

institutional framework of businesses in a particular country determines what it means

to be socially responsible. This institutional environment is not only limited to the

formal institutions, such as laws, trade unions and civil society among others but also

involves the informal institutions, such as religious norms, culture, tribal traditions or

customary norms (Brammer et al., 2012). However, these analyses have rarely

transcended to the comparison of responsibility practices in developing countries with

that of developed countries.

In addition to diversity, the dynamics of the concept and its applications have

changed and research in the area has recently gained momentum. Dynamics refers to the

ways in which CSR has diffused from Western systems of capitalism to other countries

through imitation and adaptation (Brammer et al., 2012). The formidable lens of

institutional theory appears to help understanding how and why CSR has different forms in different contexts. In addition, to the country-specific understanding of CSR, institutional theory also helps explain why the concept is now an integral to businesses in almost every country in the world (Visser & Tolhurst, 2010).

5.7 Corporate regulation

The corporate regulation landscape comprises various a range of regulatory systems. The prominent systems amongst these are statutory regulation, co-regulation, and self-regulation. Statutory regulation refers to necessary rules, monitoring compliance and enforcement of these actions by imposing sanctions (Rahim, 2013). Palzer and Scheuer (2003, p. 27) noted that the implementation of these rules is the responsibility of government. By contrast, Black (1996, p. 27) defined self-regulation as "the situation of a group of persons or bodies, acting together, performing a regulatory function in respect of themselves and others who accept their authority". With self-regulation, private parties, such as the industries, the business itself, providers, and producers among others take responsibility for implementation. In the case of self-regulation governments do not normally interfere and private parties monitor compliance (Rahim, 2013). In line with this, Palzer and Scheuer (2003) highlighted that self-regulation may take the form of qualitative or technical standards potentially associated with a code of conduct describing what is good and bad practice. These codes may involve rules on the structure of the relevant complaints bodies and on out-of-court mediation. Finally, co-regulation has been defined as an intermediate interaction between government and businesses (Palzer & Scheuer, 2003). A co-regulatory system combines the elements of both self-regulation and statutory regulation (Nakpodia, Adegbite, Amaeshi, & Owolabi, 2016). Depending on the actual combination of statutory regulation and self-

regulation elements, co-regulation can take different forms of regulatory strategy (Rahim, 2013). Government lays down the legal basis to start the functioning of the system, businesses then formulate rules which depict its functioning (Rahim, 2013). All these types of regulations have different effects on the CSR practices, especially listed companies that are required to maintain regular disclosures of performance.

Issues understanding the relationship between state regulation and self-regulation have emerged. According to Baldwin (2004), the rise of the modern regulatory state occurred in the second half of the 20th Century in the United Kingdom following a noted increase in punitive regulation and the subsequent decline in traditional forms of self-regulation. However, this trend has not been the only way for regulatory change to emerge. Hutter (2001) argued that in some areas there has been a move towards self-regulation in areas, such as health and safety. By contrast, in areas, such as a wide range of industrial, economic, financial, legal, health, culture, education and sports state regulation are increasingly evident (Bartle & Vass, 2007). Therefore, there is now an on-going debate as to whether self-regulation or state regulation is the best governance mechanism for CSR practices.

5.8   Methods

5.8.1   Sampling and data

The objective of this study is to determine and contrast the regulatory and institutional impacts on corporate social responsibility within New Zealand and Pakistan. This section describes the measurement, sampling and research design used.

Annual reports of selected companies were used to analyse the association of institutional factors (formal & informal) and CSR. The data was collected from a select sample of listed companies on each of the New Zealand Stock Exchange (NZX) and

Pakistan Stock Exchange (PSX). The reason for evaluating the reports for one year was

to determine a status quo of CSR disclosures in both countries. The sample was limited

to eight companies from each exchange. Companies from New Zealand were selected

across a broad range of industries and sectors: Air New Zealand, Freightways, Michael

Hill International, Cavalier Corporation, Fletcher Building, Restaurant Brands, Spark

(formerly Telecom), and Steel & Tube Holdings. Similarly, a wide range of companies

from Pakistan were chosen - Pakistan International Airline, Pakistan

Telecommunication Company Limited, Aisha Steel Mills Limited, Millat Tractors,

Engro Fertilisers, Nestle Pakistan, Gul Ahmed Textile Mills Limited and Fauji Cement.

The study only used the annual report as the sampling unit. Annual reports have been

previously accepted as an appropriate source of business' attitude towards social and

environmental reporting (Campbell, 2000). Additionally, as the study is primarily

focussed on a small number of companies, representing a wide range of industries, care

needs to be taken in extrapolating to the wider population. These companies were

chosen because they are major players in their respective industries in each country. The

study covered the companies' annual reports for the year 2016.

5.8.2   Measurement

Dependent variable

The study used a quantitative content analysis method. The content analysis was then

done in two stages. A CSR checklist was constructed in the first stage. The

categorisation was based on earlier studies (Aras, Aybars, & Kutlu, 2010) each of which

identified location; broad themes of disclosures; and, the form of CSR in annual reports.

Location involved corporate governance section, operation review section, chairman's

report section and CSR section. Themes of disclosure were based on environment-

related activities, employee-related activities, energy, product responsibility and community involvement. The form of the disclosures involved narrative, photographs and monetary data related to each of the themes. The CSR checklist was then developed and pre-tested to create an index of the dependent variable. The index was treated as a dichotomous variable, that is, if the company disclosed the specific CSR item it took the value '1' if no disclosures, it took '0'. Items were included about each of the mentioned themes and scores were aggregated from these items related to CSR.

Various methods have been employed by researchers for quantitative content analysis of CSR in listed company annual reports, such as counting the number of words (for example, Haniffa & Cooke, 2005; Zeghal & Ahmed, 1990), counting the number of sentences, (for example, Aras et al., 2010; Milne & Adler, 1999; Nazli Nik Ahmad & Sulaiman, 2004) and counting paragraphs and the proportion of pages (Gray, Kouhy, & Lavers, 1995; Tilt, 2001) committed to CSR. This study utilised phrase level analysis as data. The disadvantages associated with word counts is that they give no meaning to the context. Similarly, one of the criticisms of page proportions is that it disregards the difference in page margin, font size, and numbers of photos and graphics in annual reports. Moreover, the reports of companies vary in quality and format. The CSR index was calculated using guidelines from previous studies (for example, Jitaree, 2015). CSR was divided CSR into 45 items (broadly classified into 11 items for environmental dimensions, six energy dimensions, 16 employee dimensions, seven community involvement dimensions, and five product responsibility dimensions) using the following index for calculating CSR:

$$CSRI_j = \frac{\sum_{i=1}^{n} x_{ij}}{n_j}$$

Where:

CSRIj = Corporate social responsibility index of jth firm

nj = Total number of CSR items for jth firm, n=45

Xij = 1 if ith item is disclosed, 0 if the ith item is not disclosed

So that $0 \leq CSRIj \leq 1$

Independent variables

The institutional environment comprised formal institutions, such as legal, financial and political systems as well as informal institutions, such as cultural, values, norms and beliefs (Lubatkin, Lane, Collin, & Very, 2005). The nature of the political and legal system at the country level (Matten & Moon, 2008) enables the prediction of a broader stakeholder orientation versus a more discrete shareholders' perspective.

The informal institutions exist in the form of cultural values, norms and have an omnipresent influence on "character of economies" in the form of normative or mimetic adoption of the practice (Scott, 2008b; Whitley, 1992). For example, the lingering differences between New Zealand and Pakistan relating to the role of businesses in society are significant. New Zealand scores 79 on Hofstede's cultural dimension being a strongly individualistic society whereas Pakistan with a low score of 14 is considered as being highly collectivist. Similarly, Matten and Moon (2008) argued that the United States of America is a highly individualistic society with higher corporate discretion primarily manifest through philanthropic CSR, whereas European countries seek collaboration and consensus on CSR being more collectivist in nature. There is limited

research available concerning the impact of Hofstede's dimensions on CSR practices.
Fernandez-Feijoo, Romero and Ruiz-Blanco (2014) argued that companies which are in
more gender equal societies were found to employ more women on boards than that in
gender unequal societies. But as argued in this research the informal institutions are
expected to have a significant effect on managerial behaviour (Campbell, 2007).

Hofstede's (1984, 1991) continua was used to incorporate the informal differences
between New Zealand and Pakistan. The continua include uncertainty avoidance, power
distance, individualism vs. collectivism, and masculinity vs. femininity. Hofstede found
differences among employees of different origins at IBM. Ultimately, these differences
translated into different organizational behaviours or the host country's external
environment. The cultural dimensions have been previously used in comparative CSR
studies (Bondy & Starkey, 2014; Burton, Farh, & Hegarty, 2000; Farooq, Payaud,
Merunka, & Valette-Florence, 2014). In addition, the variations in corporate regulation
as mentioned above were identified from the annual report of the companies. However,
for the current study these informal institutional environment variables, such as
Hofstede's cultural dimensions and corruption perceptions index were not incorporated
in the analysis.

5.9   Results and discussions

The companies and industries of the two country samples are presented in Tables 5.1
and 5.2.

Table 5.1 Sample companies from New Zealand

No	Company Name	Industry
1	Cavalier Corporation	Carpets & textile
2	Fletcher Building	Construction
3	Freightways Ltd.	Cargo airline
4	Michael Hill International	Retailing
5	Restaurant Brands	Restaurant
6	Spark Telecom	Telecommunication
7	ST Steel & Tube	Metals
8	Air New Zealand	Airline

Table 5.2 Sample companies from Pakistan.

No	Company Name	Industry
1	Kohat Cement	Cement
2	Gul Ahmad Textile	Textile
3	Altern Energy	Power generation & distribution
4	Engro Fertiliser	Fertiliser
5	Crescent Steel and Allied Products Ltd.	Engineering
6	Pakistan Tobacco Company	Tobacco
7	Hino Pakistan	Automobile assemble
8	GSK	Pharmaceuticals

The descriptive statistics for the CSR disclosures including all five dimensions,

such as environment, energy, employees, community, and customers-oriented

responsibilities are presented in Table 5.3. Levels of CSR disclosures do not appear to

follow a specific logic. The sampled companies in Pakistan disclose more on

environment-oriented responsibilities with a mean of .50 and std. deviation of .261 than

those in New Zealand' mean of .3182 and std. deviation of .3182. The mean for

disclosures on energy for companies in Pakistan is .4167 with std. deviation of .29547

and the mean for those in New Zealand is .250 with std. deviation of .35635. The mean

for disclosures on employee-oriented responsibilities for companies in Pakistan is .5859

with std. deviation of .20027; and, surprisingly companies in New Zealand has the same
score with std. deviation of .24307. Similarly, the mean of disclosures on community-
oriented responsibilities for Pakistan is .71343 with std. deviation of .26452 and the
mean for disclosures in New Zealand is .5893 with std. deviation .32788. The mean of
disclosures for customer-oriented responsibilities in Pakistan was .6000 with std.
deviation of .32071 and for New Zealand, the mean is .6750 with std. deviation .23755.
Finally, the overall CSR mean score for sampled Pakistani companies was .5634 with
std. deviation of .20318 and that for sampled companies in New Zealand was .438 with
std. deviation of .24598.

These results demonstrate that the sample Pakistani companies disclose more than
those sample New Zealand companies. It might be the case that companies in
economically advanced countries like New Zealand are neither required nor are
mentioning broader stakeholders in their annual reports. If so, these results are similar
to the previous studies, such as Dawkins and Ngunjiri (2008) and Waldman et al.
(2006), both suggesting that companies in the developing world are more likely to
disclose social concerns in their annual reports than companies in the developed world.
Moreover, it is also clear from the analysis that the results of CSR disclosures in both
the countries are different across different industries. This suggests that some sectors
may report more CSR in their annual reports than others. Previous research suggests
that businesses with more risk of environmental pollution disclose more information for
their commitment to CSR in the long run (Gamerschlag, Möller & Verbeeten, 2011;
Javaid Lone et al., 2016; Rayman-Bacchus, Husser, André, Barbat & Lespinet-Najib,
2012). However, the results in Table 5.4 suggest there were no significant differences in
disclosure practices of companies between New Zealand and Pakistan.

CSR reporting of selected Pakistani companies can be largely attributed to the institutional and regulatory environment. These informal institutions and regulatory measures are reflections of institutions for businesses to describe and monitor legitimacy (Dawkins & Ngunjiri, 2008). As discussed above the regulatory structures in both the countries are near identical.

One explanation of this from an institutional perspective is provided by the practice of adoption (Gondo & Amis, 2013). The frequency of a practice and level of legitimacy initially required a decrease by the actors involved in promoting the practice, as practice become implemented within the organization (Green, 2004). This shows that CSR disclosure practices are important in the early stages of implementation and become less important as the practice becomes diffused and more substantive. This might be the case in Pakistan where CSR practices are at an early stage and businesses mostly use their annual reports to disclose CSR to get legitimacy (Ahmad et al., 2015). This suggests that businesses are not only subjected to scrutiny by government but also other interested stakeholders. Scholars in the field argue that businesses respond to institutional pressures and get social acceptance by adopting CSR practices (Amran & Haniffa, 2011; Campbell, 2007).

Table 5.3 Descriptive statistics from the analysis of Plcs in New Zealand and Pakistan (FYE 2016).

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
Environment	New Zealand	8	0.3182	0.3035	0.1073	0.0645	0.5719	0.00	0.82
	Pakistan	8	0.5	0.2617	0.0925	0.2812	0.7188	0.09	0.82
	Total	16	0.4091	0.2894	0.0724	0.2549	0.5633	0.00	0.82
Energy	New Zealand	8	0.25	0.3564	0.126	-0.0479	0.5479	0.00	0.83
	Pakistan	8	0.4167	0.2955	0.1045	0.1696	0.6637	0.00	0.83
	Total	16	0.3333	0.3277	0.0819	0.1587	0.508	0.00	0.83
Employees	New Zealand	8	0.5859	0.2431	0.0859	0.3827	0.7891	0.19	0.88
	Pakistan	8	0.5859	0.2003	0.0708	0.4185	0.7534	0.31	0.94
	Total	16	0.5859	0.2152	0.0538	0.4713	0.7006	0.19	0.94
Community	New Zealand	8	0.5893	0.3279	0.1159	0.3152	0.8634	0.00	0.86
	Pakistan	8	0.7143	0.2645	0.0935	0.4931	0.9354	0.29	1.00
	Total	16	0.6518	0.2949	0.0737	0.4946	0.8089	0.00	1.00
Customers	New Zealand	8	0.675	0.2376	0.084	0.4764	0.8736	0.40	1.00
	Pakistan	8	0.6	0.3207	0.1134	0.3319	0.8681	0.00	1.00
	Total	16	0.6375	0.2754	0.0688	0.4908	0.7842	0.00	1.00
Overall CSR	New Zealand	8	0.4837	0.246	0.087	0.278	0.6893	0.12	0.85
	Pakistan	8	0.5634	0.2032	0.0718	0.3935	0.7332	0.18	0.81
	Total	16	0.5235	0.2218	0.0555	0.4053	0.6417	0.12	0.85

Table 5.4 ANOVA results for the analysis of Plcs in New Zealand and Pakistan (FYE 2016).

		Sum of Squares	Df	Mean Square	F	Sig.
Environment	Between Groups	0.132	1	0.132	1.647	0.22
	Within Groups	1.124	14	0.08		
	Total	1.256	15			
Energy	Between Groups	0.111	1	0.111	1.037	0.326
	Within Groups	1.5	14	0.107		
	Total	1.611	15			
Employees	Between Groups	0	1	0	0	1
	Within Groups	0.694	14	0.05		
	Total	0.694	15			
Community	Between Groups	0.063	1	0.063	0.704	0.415
	Within Groups	1.242	14	0.089		
	Total	1.305	15			
Customers	Between Groups	0.022	1	0.022	0.283	0.603
	Within Groups	1.115	14	0.08		
	Total	1.138	15			
CSR	Between Groups	0.025	1	0.025	0.499	0.491
	Within Groups	0.713	14	0.051		
	Total	0.738	15			

The informal institutional environment of each country appears to play an

important role in a company's decision to disclose within a context. Saxena and Mishra

(2017) attributed the different perception of companies on CSR to Hofstede's cultural

dimension. The ranking and score of New Zealand and Pakistan is provided in Table

5.5.

Table 5.5 Hofstede's Cultural Dimensions of Pakistan and New Zealand.

Cultural Dimensions	Pakistan	New Zealand
Power distance	55	22
Individualism	14	79
Masculinity	50	58
Uncertainty avoidance	70	49

Source: Hofstede et al. (2010)

Pakistan score high on power distance than those in New Zealand. Power distance

refers to the extent to which unequal power distribution is accepted in institutions and

organisations. That means that in Pakistan, normally lower ranked employees wait for

instructions from top management, and that they do not have the authority to interfere

or provide any sort of suggestions. This is evident from previous literature, as Islam

(2004) corroborates that Pakistan is an autocratic society where the superior always

makes the decisions in organisations and the sub-ordinates hardly have a say. In

contrast, New Zealand's score on power distance is very low which means that elitism

and superiority/hierarchy are disliked in the country. Moreover, it is evident that

Pakistani society is collectivist in nature. In Pakistan, usually, the whole family depends

on a single individual who takes care of everything and people normally take the

responsibility of their group members (Islam, 2004). Collectivism transforms to

businesses as well where the selection of an employee to a retrenchment process is

likely to involve group decision making. On the other hand, New Zealand is a strong

individualistic society. The hiring and laying off processes are done on merit. Thirdly,

Pakistan has medium scores on masculinity/femininity which means

masculinity/femininity cannot be segregated (Hofstede et al., 2010). This is due to

significant growth of middle-class families, increase in education, a rich national

identity, and enhanced global awareness in the country (Salman, 2015). On the contrary,

New Zealand is considered to be a masculine country because of the significantly high

score on this dimension (Hofstede et al., 2010). Countries with the varying score on

masculinity ranking tend to allocate roles of males and female differently within

organizations (Hamid, 2017). Finally, Pakistan has a relatively higher score on

uncertainty avoidance than New Zealand. A country with a low score on this dimension

tends to welcome risk and changes, whereas countries with a higher score on

uncertainty avoidance respect rules and regulations (Hofstede & Hofstede, 2003).

Respecting the government regulation is apparent in Pakistan, although it may only be

in form, not substance. This result is evident in the higher degree of CSR disclosures in

Pakistan as a result of SECP guidelines (Lone et al., 2016).

In addition to Hofstede et al.'s (2010) cultural dimensions, Khan (2007)

contended that Pakistan has gone through extremely debilitating and entrenched

corruption that resulted in the government's inability to provide services and maintain

law and order in the country. According to Islam (2004), corruption in Pakistan is due

to adherence to the hierarchy and the collective administrative culture. Warf (2016)

attributes corruption to deeply embedded cultural and moral values and not simply an

economic phenomenon. This is the primary reason why Transparency International

(2017) ranked Pakistan 116 out of 176. However, New Zealand is considered as the

world least corrupt country with a score of 96 and ranked 1st out of 176. Pakistan has

slightly improved on this corruption index, but practical measures need to be taken.

Corruption is rampant in Pakistan and being a few points up and down on the

international corruption scale will not help Pakistan change the reality (Malik, 2017).

The above-mentioned institutional factors help explain the large variations in CSR

disclosures. The findings of the current study are consistent with earlier work (Dawkins

& Ngunjiri, 2008; Hoffman, 1999; Sharfman, Shaft, & Tihanyi, 2004), despite the small

sample CSR is observed to be affected by regional-specific institutional pressures.

These pressures might involve respecting the guidelines from regulators, and the

pressures to respect the preferences of a particular group of stakeholders. As according

to the institutional theory businesses have three different types of pressures, such as

coercive pressures in the form of regulation; normative pressures in the form of values

and culture; and, mimetic pressures in the form of mimicking the behaviour of other

companies especially in a scenario characterised by uncertainty and rapid change.

5.10 Conclusion

The main objective of this paper was to identify and understand the plausible

explanation for CSR reporting in New Zealand and Pakistan. The study included a

quantitative content analysis of annual reports of a select sample of listed companies

and proceeded with ANOVA measuring the variability of CSR disclosure between the

two jurisdictions. The results of ANOVA were not significant. Institutional theory was

use to explain the process of CSR disclosures and identify the contextual factors for

each country. As Kolk (2005) argued, CSR is observed to be shaped quite differently in

different countries because of the respective different institutional environments. The

study explained some of these institutional factors in detail. The study found that the

sample of overall Pakistani companies disclose more than those in New Zealand on the

five dimensions of CSR. Other recently conducted research concluded that the increase in the level of CSR disclosures in Pakistan is attributed to SECP's corporate governance guidelines 2013 (Lone et al., 2016). Hofstede et al.'s (2010) work highlighted the major differences between countries in terms of power distance, individualism, masculinity and uncertainty avoidance. These differences appear to transform businesses and its affect CSR disclosure practices (Dawkins & Ngunjiri, 2008). The findings of the study are in line with the three forms of isomorphism, coercive, normative and mimetic do contribute to CSR reporting in New Zealand and Pakistan. Additionally, the results demonstrate that the disclosure practices also varied across the different sectors within both the countries. The highly polluting industries, such as cement were found to disclose the most. That suggests that a high impact industry might report more compare to relatively low impact industries, such as retailing.

5.11 Limitations

The results for the current study need to be interpreted with caution, bearing in mind the limitations of the study. To start with the annual reports of the companies analysed for the current study comprised a small select sample from both the countries which may not be representative of the whole population. Therefore, studies with a simple random sample may provide more reliable results. Additionally, longitudinal studies will identify changes to CSR disclosures and could reveal other dimensions.

Secondly, the study is based on quantitative content analysis which is subject to human error. The study has not included qualitative analysis. Qualitative content analysis might provide better and an in-depth understanding of the reasons behind CSR reporting.

Finally, Baskerville (2003) argued that there are certain limitations to utilising Hofstede's cultural indices, such as understanding culture by means of metrics and numeric measures and the assumption of equating nations with cultures. Therefore, apart from Hofstede cultural dimensions and corruption index, there are likely to be the other factors that need to be considered while assessing the effect on CSR (Thanetsunthorn, 2014). These factors might contribute to a lack of transparency and accountability which is prevalent in all levels of Pakistani society, and only on very rare occasions emerge in New Zealand, for example, the collapse of finance companies in the aftermath of the global financial crises. Healthcare and education systems in Pakistan are in a troublesome situation, with quarter of population undernourished and women's literacy is less than 35%. Therefore, there is a marked difference between both countries in terms of informal institutional infrastructure beyond Hofstede's cultural dimensions.

**CHAPTER 6 A MULTI-LEVEL INSTITUTIONAL PERSPECTIVE OF
CORPORATE SOCIAL RESPONSIBILITY REPORTING: A MIXED-
METHOD STUDY**

Highlights

- A sample of Pakistani listed companies shows that institutional environment affects corporate social responsibility (CSR) reporting.

- The results portray a significant increase in CSR reporting over the timeframe studied.

- And a strongly significant impact of regulatory influences and promoting institutions on such CSR reporting.

- A weak positive but largely non-significant relationship of explanatory variables including hazardous industries; MNC's subsidiaries; and, business size exists with CSR reporting.

- The exploration of managerial perceptions on CSR reporting highlights issues related to reporting quality, and the challenges faced by managers reporting CSR in developing country institutional environments.

- The implications for future research and practice on CSR reporting in a weak institutional environment are identified.

6.1 Overview

Aim of the paper: This paper examines the institutionalisation of corporate social responsibility reporting among listed companies in Pakistan. First, the influence of industry type; regulatory pressures; the presence of CSR promoting institutions; business size; and, ownership on the extent of CSR reporting is identified. Second, the managerial perceptions on CSR reporting are explored. In so doing, the paper extends the existing literature on the debate over accountability, regulation, international standards, sustainability and the influence or otherwise of other stakeholders by exploring organisational and external institutional drivers of CSR reporting in developing countries. The quantitative content analysis of annual reports from 29 listed companies across a range of industries is used to identify the nature and scope of CSR reporting. Four annual reports from each company (2001, 2006, 2011 & 2017 – five-yearly intervals) were selected as the reporting horizon. The content analysis demonstrated considerable growth in CSR reporting, potentially enabled by various organisational and institutional factors. To explore the perceptions, motivation, and authenticity of these reports, on-site interviews with 15 managers are then conducted. The interviews highlight that public image and company recognition are the primary motivation for CSR reporting, rather than the pursuit of improved tangible outcomes. The contributions to research of institutional theory on CSR reporting are discussed and recommendations to both managers and regulators are provided.

Duplication: Readers are expected to find some duplication in terms of literature on institutional theory and the discussion around quantitative content analysis with preceding chapters.

Publication details: This paper is revised, and has been resubmitted to the *Journal of Cleaner Production* on March 02, 2020. This journal is ranked A on ABDC rankings.

Appended as DRC 16: Massey University's publication contribution form is included

as Appendix G.

Graphical abstract
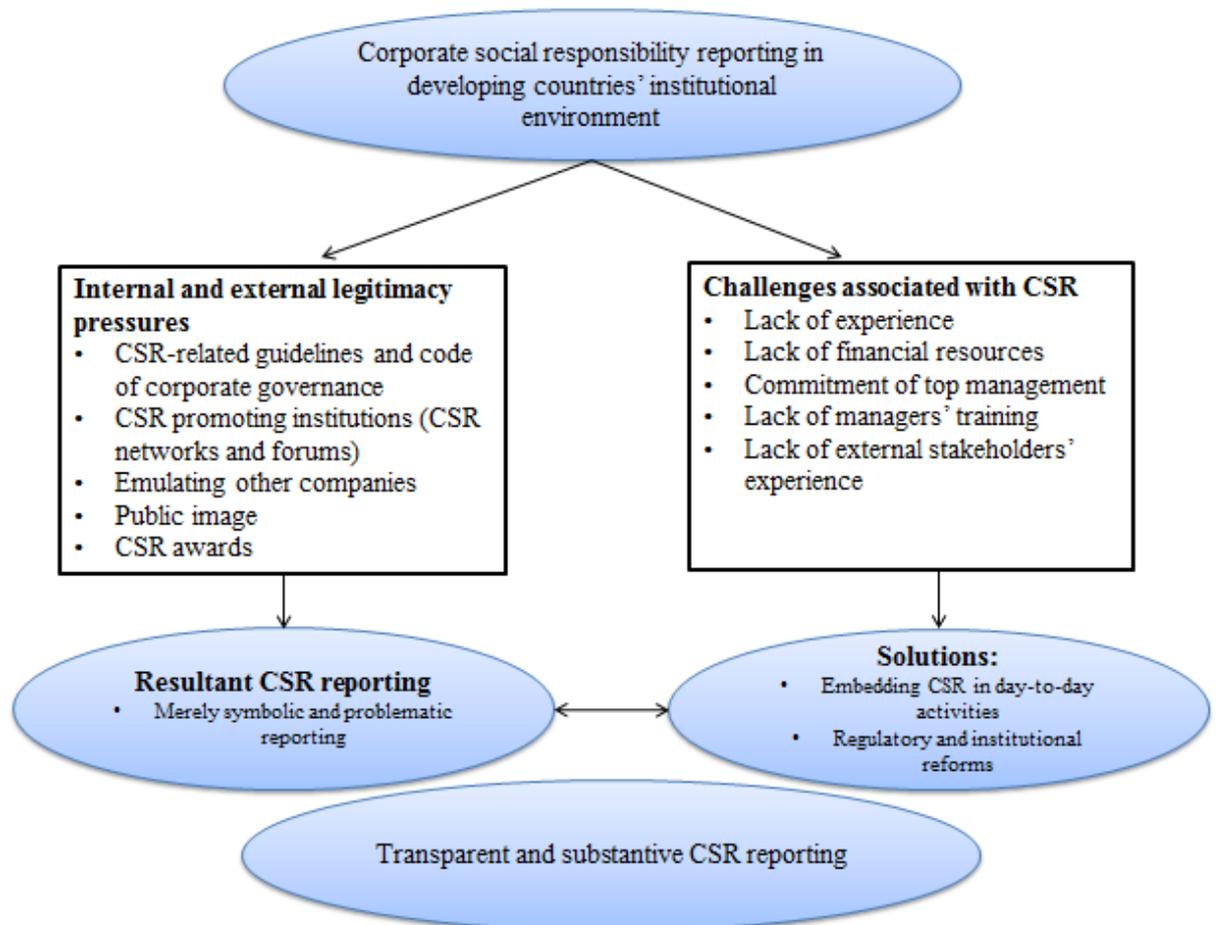
Keywords: Corporate social responsibility reporting, institutional drivers, legitimacy,

national institutions, Pakistan

6.2   Introduction

Reporting on the social and environmental performance of organisations has become

common practice, to the extent that it is now referred to as a de facto law for business

(KPMG, 2017; Shabana, Buchholtz & Carroll, 2017). While corporate social

responsibility (CSR) reporting is not mandatory in most parts of the world, businesses

are facing growing expectations from other stakeholder groups to address social and

environmental issues. Therefore, CSR reporting has gained immense significance for

businesses, policy makers, activists, and other stakeholders.

CSR disclosure has become a further indicator of corporate performance (Higgins

& Coffey, 2016). Traditionally, businesses used to report CSR-related information in

annual reports, however, new forms have emerged including standalone reporting and

website reporting. Different labels, for example, sustainability reporting (Jensen &

Berg, 2012), CSR reporting (Lock & Seele, 2016), and more recently, integrated

reporting (Argento, Culasso & Truant, 2018) are being used by corporates to promote

their actions to audiences. CSR reporting is now revealing to stakeholders the true

value of organisations (de Villiers & Alexander, 2014). Some 85% of Standard and

Poor's (S&P) 500 companies are now publishing CSR reports, up from 20% in 2011

(Governance and Accountability Institute, 2017). This increase is attributed to these

same companies recognising the benefit of CSR communication (Greenwood, Jack, &

Haylock, 2018), and stakeholders groups creating an informal governance mechanism

that pressures business to cater for the knowledge gap created by the absence of, or

ineffective formal regulatory regimes, especially in developing countries. These

observations suggest that CSR reporting is moving from what were the margins of

business activity to the mainstream. All the more so as the practice diffuses from

developed to developing countries.

Stakeholder concerns over social and environmental issues in developed countries

have grown to a level where business can no longer get away with wrongdoings

(Hoque, Clarke, Huang, 2016). CSR in developing countries is dominated by the

nuances and connotations of Western frames (Jamali & Karam, 2018). The plurality of

historical, political and socioeconomic realities of developing countries (Jamali &

119

Neville, 2011; Pisani, Kourula, Kolk, & Meijer, 2017) provides a unique setting for

studying the global diffusion of CSR reporting. A recent survey by KPMG (2017)

reports that developing countries, such as Taiwan, Mexico, Malaysia, India and South

Africa boast the highest CSR reporting. The growth in CSR reporting reflects new

requirements, regulatory changes, the diffusion of international CSR reporting standards

(for example, GRI), and other institutional pressures from within the local institutional

environment.

Most of the research on CSR reporting has focused on developed countries

(especially the USA, UK and Europe). Recently researchers have started exploring

developing country contexts (for example, Chapple & Moon, 2005; Fifka & Pobizhan,

2014; Kühn, Stiglbauer & Fifka, 2018; Mahadeo & Soobaroyen, 2013; Marquis & Qian,

2014; Sulemena, 2017). But the current research on CSR reporting is primarily

descriptive (for example, Abbas, 2020; Javaid, Ali, & Khan, 2016; Malik & Kanwal,

2018), and significant gaps exist in terms of how CSR reporting is diffused over time,

and why businesses in developing countries would report on CSR. Therefore,

understanding the *how* and *why* of CSR reporting in developing countries not only

represents a promising field of endeavour but is also expected to bring new knowledge

to the field as a whole.

This research aims to understand how and why institutional forces affect the

practice of CSR reporting. The inquiry into CSR reporting has primarily focused at the

individual and organisational levels, largely ignoring national institutions (Halkos &

Skouloudis, 2016) to date. Only recently has the collective impacts of individual,

organisational and institutional antecedents on CSR reporting emerged. Such

antecedents should allow researchers to predict whether CSR reporting is being done in

response to broader institutional and/or organisational level determinants (Hahn &

Kühnen, 2013; Young & Marais, 2012), and whether or not the alignment between

reporting and actual practice of CSR is likely. These determinants should help

researchers and policy makers understand relative efficacy, or otherwise of CSR

reports. In addition to the limited evidence on institutional determinants of CSR

reporting in Pakistan, little is known about how managers perceive such practice.

Therefore, to the best of our knowledge this is the first study in Pakistani context that

attempts to explores managerial perceptions of CSR reporting, using institutional theory

as a theoretical framework. Accordingly, CSR-related institutional forces in developing

countries comprise factors, such as government, suppliers, industry partners, customers,

NGOs, local community, and media, among others – all of whom create *rules* within

which organisations attempt to gain legitimacy to survive and grow (Campbell, 2007;

Jamali, Karam, Yin, & Soundararajan, 2017). Institutional theory provides an

appropriate theoretical perspective through which to demonstrate how and why various

internal and external forces drive CSR in specific contexts (Aguilera, Rupp, Williams,

& Ganapathi, 2007; Yin, 2017). Consequently, we examine the impact of both external

institutional pressures and organisational dynamics on CSR reporting.

The extent of CSR reporting in Pakistan is identified through the content analysis

of a selection of publicly listed company reports. Annual reports are analysed for

financial years ending 2001, 2006, 2011, and 2017. The longitudinal data also provides

an opportunity to explore change, hard to gather solely using cross-sectional survey

data. Due to the problems of availability and collection of old archives, longitudinal

studies are considerably less common than cross-sectional studies (Campbell, 2004;

Vourvachis & Woodward, 2015). Such panel data gives the researcher large amounts

of data points, reduces collinearity among the explanatory variables, and increases the

degrees of freedom (Hsiao, 2005; Situ, Tilt & Seet, 2018). Therefore, while the

analysis only uses 29 companies it produces 116 observations, over a 16-year time period. This period was selected because it covers the release of the *Code of Corporate Governance*, released by the Securities and Exchange Commission of Pakistan (SECP) in 2002 and subsequently revised in 2007, 2012 and 2017 (SECP, 2017). Second, we conduct interviews with 15 managers in location to support or refute the themes that emerge from the content analysis, and further explore with them their motivation for CSR disclosure. The findings of the study are then discussed within the contextualised features of developing countries.

6.3 Background, theory and hypotheses

6.3.1 CSR reporting

CSR is defined in many ways (Dahlsrud, 2008). Different models of CSR then elucidate both to whom and for what businesses are supposedly responsible (Jain, 2017). We favour the most cited definition, "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001). Because CSR has now become a strategic issue for business (Bondy, Moon, & Matten, 2012), it is important to plan strategically for CSR reporting. One of the essential steps in the design, implementation and impact of CSR reporting is actual communication with stakeholders (Crane & Glozer, 2016). CSR reporting is the first outwardly visible step of a business's commitment towards CSR. Reporting represents a business's responsibility towards the environment and society within which they function (Owen & O'Dwyer, 2008). Accordingly, it is widely accepted that businesses report CSR initiatives to gain numerous benefits, for instance, obtaining legitimacy, enhancing reputation, and developing relationships with stakeholders (Arena, Liong, &

Vourvachis, 2018; Cho, Michelon, Patten, & Roberts, 2015). CSR reporting has

become a global norm through which businesses build trust with stakeholders.

The standard of CSR reporting has increased over time (Lock & Seele, 2016).

The two common reasons attributed for this improvement are the breadth of

stakeholders now being addressed (for example, investors, employees, customers,

community, the physical environment, national regulators, media, and society at large),

and the increasing benefits to be had from reporting non-financial aspects of businesses

(Adams & McNicholas, 2007). Precisely, the objective of CSR reporting is to

communicate how an organisation manages multiple stakeholders' demands in addition

to its technical performance.

Managers decide on the variety stakeholders, contents, nature reporting, and

medium through which they want to communicate such information. Reporting is

observed to be costly (Adams, 2002), and limited resources are cited as one of the

reasons for not doing so (Belal & Cooper, 2011). Consequently, businesses rely on

their boards and/or chief executive officer (CEO) to first see value in CSR reporting

(Campbell, 2000), or else reporting deteriorates and eventually ceases over time.

Businesses disclose CSR to demonstrate that they are considerate of society, the

environment and other stakeholders (Deegan & Samkin, 2006). Such disclosure helps

businesses manage their legitimacy and express their expectations to a range of

stakeholders (Archel, Husillos, & Spence, 2011; Reverte, 2009). However, there is

increasing evidence that this type of reporting is largely symbolic, balancing economic

ends with those of the environment and society (Yang, Manika, & Athanasopoulou,

2019).

Businesses also disclose CSR to derive economic benefit from a) reduced capital

cost; and, b) improved reputation (Dienes, Sassen, & Fischer 2016), enhancing long-

term profitability, and attracting better employees (Young & Marais, 2012). However,

regardless of such intentions, businesses are largely complying with prevailing

institutional pressure (Marquis & Qian, 2014). Neo-institutional theory (NIT) proposes

that there are three pillars within which organisations attempt to operate: regulative,

normative and cognitive (DiMaggio, & Powell, 1983; DiMaggio & Powell, 1991) to

which national culture may also play an important role (Jamali & Neville, 2011). The

theoretical proposal of this paper is that businesses may report CSR differently to

respond to such isomorphic mechanisms. This observation extends our understanding

of how reporting is diffused overtime within an institutional field. But to do so requires

that the motivation behind CSR reporting in a specific context, yet to be studied

(Pakistan), is explored.

Business are part of a socio-economic and political system within a broader

institutional framework (Whitley, 1992). The term institution refers to the taken-for-

granted or naturalised assumptions that enable or refrain organisations' behaviour

(Greenwood, Oliver, Lawrence, & Meyer, 2008). In other words, NIT argues that it is

the institutional environment that exerts direct and indirect pressure on business that

consequently influences their norms, values, actions and structures. More specifically,

it is the institutional environment that shapes "a context, in which individual efforts to

deal rationally with uncertainty and constraints often lead, in the aggregate, to

homogeneity in structure, culture, and output" (DiMaggio, & Powell, 1983, p. 147).

Institution is then a broad term that comprises not only the bureaucratic and

governmental institutions (typically structures and regulations) but also the prevailing

business culture, norms and values (Fifka & Pobizhan, 2014). CSR reports then inform

and are, in turn, part of the institutional context (Rajandran, 2018). Businesses need to

carefully design their CSR reporting, consistent with the institutional climes, to satisfy

the expectations of all actors, and ultimately build trust with broader stakeholders.

The contextual setting for this study is Pakistan where business, just like those

elsewhere are responding to an institutional environment with mounting pressure for

reporting CSR (Khan, Lockhart, & Bathurst, 2018b). The choice of Pakistan for this

study is informed by a variety of factors, including the absence of earlier contextual

studies; the country represents an interesting empirical site to study CSR reporting – the

institutional environment of the country represents a sharp contrast to that in developed

countries, such as the United Kingdom and the United States of America. Of which the

latter has whole-heartedly embraced the Washington consensus policies (Munir &

Naqvi, 2017; Tariq & Abbas, 2013). And, that the corporate regulations in Pakistan are

heavily influenced by from those in the West, historically Britain. But the

inappropriateness of policies in Pakistan has resulted in a multitude of corporate failures

and an ongoing lack of market confidence. The presence of political corruption, the

lack of transparency, ineffective regulation and enforcement, unstable markets and

widespread corporate abuses in Pakistan represent a story that is simply unique.

Pakistan's potential of representing a different context to that of elsewhere has led us

explore CSR reporting in this locale. In doing so, the study sheds light on the

institutional environment of Pakistan and how that in turn influences CSR reporting

from the perspective of the managers themselves.

6.3.2 CSR reporting, regulation and industry classification

Businesses report on CSR to meet the gap between stakeholder expectations and their

actual CSR performance (Shabana et al., 2017). Industry characteristics are also found

to influence the nature and scope of CSR reporting (Jackson & Apostolakou, 2010).

Businesses in hazardous industries for instance are found to report more (Branco,

Delgado, Sá, & Sousa, 2014; Sabrina, Narayan, & Irshad, 2019). Companies in such

industries face tighter constraints on the natural environment; greater employee,

consumer, and NGO demands; and, more stringent regulation amidst greater calls for

transparency.

Yet what gets reported, and what may be being enacted could well differ. For

instance, British Petroleum has won numerous awards in sustainability reporting and

has been recognised as a leader in CSR reporting for many years, while simultaneously

being involved in one of the worst environmental disasters in US history (Sherwell,

2015). This stark contrast is attributed to harm minimisation strategies being used, and

efforts to maximise positive aspects of the business (Aqueveque, Rodrigo, & Duran,

2018). Businesses in sensitive industries are noted to apply cosmetic measures to

pursue stakeholder legitimacy (Yani-de-Soriano, Javed, & Yousafzai, 2012).

Mizruchi and Fein (1999) argued that there are two forces that drive coercive

isomorphism, such as "pressures from other organisations on which a focal organisation

is dependent and an organisation's pressures to conform to the cultural expectations of

the larger society" (p. 657). These pressures compel business to report on CSR.

However, neither regulators nor stock exchanges are likely to verify CSR engagement.

Therefore, the reliability of such disclosures remains uncertain. In summary, business

attempts to convey a better image to legitimating actors by using the discretionary

opportunity provided by CSR reporting.

Businesses also respond to industry and government regulation by disclosing CSR

(Luo, Wang, & Zhang, 2017). Although CSR disclosures are not yet mandatory in

Pakistan there is an expectation that businesses will show symbolic compliance to the

country's emerging guidelines and/or the *Code of Corporate Governance*. Regulations

with respect to health and safety and working conditions are evolving in the country, as
has existing law, such as the Factories Act 1934; Hazardous Occupational Rules 1978;
and, labour policy 2002 (Sajjad & Eweje, 2014). From an institutional perspective,
national regulation plays an important role in mandating, facilitating, partnering and
endorsing CSR reports (Dentchev, Haezendonck, & van Balen., 2017; Lepoutre,
Dentchev, & Heene, 2007). Traditionally CSR has been considered a voluntary
activity, but this trend is changing, and the responsibility is shifted from charities or
local communities to a national level pursuit, with governments becoming more and
more involved in national and international CSR programmes (Knudsen, 2018).
Business is, therefore, facing both coercive pressure in the form of regulation and
normative pressure (rectify the hazardous activities) to maintain legitimacy through
CSR disclosure. Businesses in hazardous industries and/or in the presence of regulation
are more likely to disclose their CSR to mitigate risk associated with their activities.
Putting the above discussions in perspective, the introduction of regulations requiring
CSR reporting lead to an increase reporting, but the quality of these disclosures remains
variable in developing countries (Weber, 2014). Given that business in sensitive
industries are expected to disclose more CSR but the authenticity of these reports is
untestable we hypothesise that:

Hypothesis 1: Business reporting of CSR activity increases with industry hazardous.
Hypothesis 2: Business reporting of CSR activity increases with regulation.

6.3.3 CSR reporting and promoting institutions

In this particular context international organisations (such as, UNCTAD, ILO, WHO,
WWF & Anti-Slavery International) have been established to monitor the behaviour of

business and set codes of conduct. The extent to which these CSR promoting

institutions are successful or not depends on the national political institutions through

which they operate (Campbell, 2007). Over time, and with the development of these

institutions reporting becomes normatively sanctioned (Belal & Owen, 2007). Policy

makers, such as the International Integrated Reporting Council (IIRC); Sustainability

Accounting Standards Board (SASB); International Auditing and Assurance Standards

Board (IAASB); and, Accountability International (AI) also play roles in setting

standards for CSR reporting (Christensen, 2015). More specifically, Global Reporting

Initiatives (GRI) guidelines are now widely used to voluntarily disclose on social,

economic and financial impacts of business operation (GRI, 2015).

At a local level there are institutions working in Pakistan, such as the Pakistan

Centre for Philanthropy (PCP); CSR Pakistan; the Sustainable Development Policy

Institute (SDPI); the Centre for Sustainability Research and Practice (CSRP); and, the

Pakistan Institute of Corporate Governance (PICG). These institutions are observed to

work in direct collaboration with business (Ali & Frynas, 2017). For example, the

CSRP provides training to businesses on reporting CSR in line with the current GRI

guidelines. Over time these training programmes become normatively sanctioned by

the managers themselves (DiMaggio & Powell, 1983). Therefore, both CSR promoting

institutions and business itself promotes the diffusion of CSR reporting. Normative

pressures and professionalisation, such as training and professional memberships create

common beliefs regarding what are accepted norms (de Villiers & Alexander, 2014).

Therefore, these structural institutions are expected to exert normative pressure on

businesses to report CSR in a proactive manner, consequently we contend that:

Hypothesis 3: Business reporting of CSR activity increases with the establishment of promoting institutions.

6.3.4 Imitative CSR reporting – role of business size and MNCs

In situations of uncertainty, where managers may not see a clear course of action available, they are expected to emulate the policies and practices of peer organisations operating within the same institutional field (DiMaggio & Powell, 1983). Smaller businesses and subsidiaries in developing countries face pressure to adopt CSR reporting from larger organisations and the parent companies respectively. Additionally, smaller businesses have limited resources and have been found to be unwilling (Aragon-Correa, Marcus, & Vogel, 2020; Darnall, Henriques, & Sadorsky, 2010) to go beyond the minimum required by regulation. By contrast, larger businesses often report more on social and environmental performance thereby exerting further pressure on smaller firms to mimic their behaviour. Therefore, businesses can be expected to follow the policies and practices of others with respect CSR (Martínez-Ferrero & García-Sánchez, 2017; Rajandran, 2018). The underlying institutional mechanism observed here is memetic isomorphism.

The extant CSR literature largely neglects the role of size on business' engagement with policies and practice (Wickert, Scherer, & Spence, 2016). Larger organisations have the resources to tackle social and environmental issues more so than smaller organisations. Smaller companies tend to benchmark against CSR reporting of leaders within an industry and attempt to emulate such practice (de Villiers & Alexander, 2014). Large business size also tends to attract media coverage (Dyck, Volchkova, & Zingales, 2008) creating yet greater pressure to conform to societal expectations (Christensen, 2015). Consequently, larger organisations legitimise their

activities, for example, by making charitable donations (Shabana et al., 2017), smaller

businesses follow suit. As a result, they tend to perpetuate the repertoire of dimensions

emerging in CSR reports.

CSR reporting in Pakistan began in the last decade (Khan et al., 2018b).

Multinationals (MNCs) from many developed countries operate in Pakistan and their

use of CSR reporting is seen to inspire local business. Consequently, to gain local and

international recognition locally owned businesses model their CSR reporting on

MNCs. As mentioned, MNCs and larger businesses are expected to put more effort in

aligning their policies according to the expectations of their stakeholders and are

expected to disclose more CSR. Consequently, two further hypotheses emerge:

Hypothesis 4: Multinational business reporting of CSR activity is greater than that of

local business.

Hypothesis 5: Larger business reporting of CSR activity is greater than that of smaller

business.

6.4   Methodology and methods

A mixed method (Creswell, 2014; Molina-Azorin, Bergh, Corley, & Ketchen 2017)

technique was used to address the series of empirical research questions. Both

quantitative content analysis of CSR reports and semi-structured interviews were used

to understand the institutionalisation of CSR reporting in Pakistan. The details of

sampling, measurements and overall research design follow.

6.4.1 Sample and data collection

The stock exchange in Pakistan, formerly the Karachi Stock Exchange (KSE) was

established in September 18, 1947. In 1970 and 1989, two new Stock Exchanges, the

Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) were established

respectively to cater to the increasing demand for investment and business growth.

These exchanges had separate management structures, listing criteria, indexes and

trading interfaces. To protect investor interest the three exchanges were merged in

January 2016 as a single exchange, the Pakistan Stock Exchange (PSX).

A sample of 29 companies, outside the financial sector, were selected from those

listed on the Pakistan Stock Exchange (PSX). The sample was drawn across fourteen

industries (see Appendix B. Note that the financial sector is subjected to a different

regulator (the State Bank of Pakistan) not the SECP. However, restricting the sample to

largely the manufacturing and extraction sectors was expected to have the added

advantage of convergence around similar institutional pressures. The sample size was

also restricted by the need for a complete data set, over the duration of the longitudinal

study (such as, annual reports being available from 2001). While similar sample sizes

have been used in previous studies (for example, Maroun, 2019), the longitudinal nature

of this study produced 116 sites for data collection.

The most common way companies inform stakeholders of their CSR activities is

through annual reports (Bansal, 2005; Dyduch & Krasodomska, 2017). The clear

advantages of using annul reports, for instance, they are the classical source of

disclosing information to stakeholders; a cost effective way of presenting financial and

non-financial information; are fully controlled by the in-house editorial board; and,

importantly, back in 2001 standalone and website reporting were not popular, leaving

annual reports as the only complete source of data for this study.

131

Four years of longitudinal data (2001, 2006, 2011 and 2017) were included in the

analysis (see Bansal, 2005). Note that similar periods have been used for studying

regulatory and institutional change in recent studies (for example, Arena et al., 2018;

Kikwiye, 2019; L€ohlein & Müßig, 2020; Whelan & Muthuri, 2017). 2001 was

selected as a start point because it immediately preceded the introduction of *The Code*

of Corporate Governance by the SECP (SECP, 2017). Other years were selected before

revisions to the code were made (2007, 2012 and 2017[1]). The original code had six

mandatory requirements that businesses were required to disclose – the corporate and

financial reporting framework, the board of directors, the audit committee, the corporate

ownership structure, and compliance with the code of corporate governance (SECP,

2002). The length and years of the longitudinal study were expected to reveal the

reporting practices of listed companies before and after various regulatory

interventions[2] revealing the underlying institutional changes taking place.

In-depth semi-structured interviews were then conducted with corporate managers

in Pakistan. The primary author contacted these managers by email, and LinkedIn

messages were sent with an introductory information sheet – comprising the research

purpose, processes, ethical considerations and implications. Respondents were

identified as having direct experience with CSR reporting. With further correspondence

and upon confirmation of participation in the study, interviews were conducted face to

face with those managers responsible for CSR and its reporting. The selected

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[1] This study started in early 2017, we did not have the annual reports for 2018 at that time as
they were made public in early 2019. The last version of the code of corporate governance
was introduced in 2019, the requirements of which were also not considered for sample
selection.

[2] In addition to the code of corporate governance, all listed companies are required to disclose
information about their CSR activities. The first ever CSR guidelines in the country were
introduced in 2013.

respondents were provided with the proposed interview protocol, a consent form,

participant anonymity, data confidentiality, and an outline of the objective and scope of

study.

6.4.2 Measuring dependent, independent and control variables

CSR reporting

Content analysis of annual reports was conducted to identify the nature and scope of

CSR reporting by the sample of companies studied. Content analysis is a method of

codifying qualitative and quantitative information into various categories (Krippendorff,

2013) and has become a widely used method of analysis settings as diverse as such as

linguistics, anthropology, sociology, psychology, communications and is becoming

increasingly popular in organisational studies (Duriau, Reger, & Pfarrer, 2007). It is

now the most common method to be used (Milne & Adler, 1999) in the analysis of CSR

reporting. Index and volumetric studies commonly use quantitative analysis: the

presence or absence of CSR-related information on a specific item and the quantity of

information being disclosed (for example, number of words, sentences, length of

paragraphs, and proportion of pages, among others) (Khan, Lockhart, & Bathurst.,

2018a; Vourvachis & Woodward, 2015). CSR indices are used because of the inherent

disadvantages associated with other volumetric techniques. For example, word count

does not give meaning to context. Similarly, other volumetric techniques have been

criticised due to their inability to cater for varying quality and the format of reports.

Consequently, we synthesised a CSR index from earlier published works.

A CSR checklist (see Appendix A) was created using the categorisation of earlier

studies (Aras et al., 2010; Jitaree, 2015). We then covered different locations and

themes in the annual reports. Location comprised various sections, such as corporate

governance, operations review, compliance with the code of corporate governance,

sustainability, environmental and social concerns, chairman' message and other CSR

and sustainability-related reporting. While the themes were based on environment,

employees, energy, product, and community related responsibilities. Disclosure took

multiple forms including narrative, photographs and monetary data related to each

dimension. A CSR reporting checklist was developed based on the themes and then

pre-tested (Khan et al., 2018b). The index was treated as a dichotomous variable: the

presence of an item equals '1'; absence equals '0' and scores were aggregated. Finally,

a CSR index was calculated using guidelines from previous studies (Arena et al., 2018;

Haniffa & Hudaib, 2007; Haniffa & Cooke, 2005; Mallin, Farag, & Ow-Yong, 2014;

Muttakin, Mihret, & Khan, 2018). Disclosures were subsequently divided into 45

items: broadly classified into 11 items for environmental dimensions, six energy

dimensions, 16 employee dimensions, seven community involvement dimensions, and

five customer-related responsibility dimensions for each company, each year. We

performed a word search as well using key words for each of these items to make sure

nothing of relevance was overlooked. Finally, the index was calculated by the number

of items disclosed by a company in a year divided by the total number of items on the

checklist (45) using the following formula:

$$CSRI_j = \frac{\sum_{i=1}^{n} x_{ij}}{n_j}$$

Where:

CSRIj $\qquad$ = Corporate social responsibility index of jth firm,

nj $\qquad$ = Total number of CSR items for jth firm, n=45,

xij $\qquad$ = 1 if ith item is disclosed, 0 if jth is not disclosed

So that, $0 \leq CSRIj \leq 1$

Validity and reliability of the analysis

Demonstrating validity and reliability of the data is necessary before drawing replicable

and valid inferences from the findings (Milne & Adler, 1999; Unerman, 2000).

Krippendorff (2013) noted three different types of reliability in content analysis. The

first is stability, the extent to which a measuring procedure yields the same procedures

on repeating trials. Second is reproducibility, the extent to which similar results are

being produced by independent coders. Third, is accuracy, the derivation from a coding

standard. Considering the lack of CSR coding standards, researchers find it hard to

apply the accuracy test for reliability of the content analysis and they mostly rely on the

other two (Vourvachis & Woodward, 2015) tests. The reliability of data was examined,

and resolved by largely following the steps recommended by earlier researchers (for

example, Guthrie, Boedker, & Cuganesan, 2004; Hahn & Kühnen, 2013; Seuring &

Müller, 2008). The analysis was conducted by the authors selecting the categories of

CSR reporting for the content analysis from those in the literature (for example, Amran,

Lee, & Devi 2014; Bebbington, Kirk, & Larrinaga, 2012; Haniffa and Cooke, 2005;

Möller, Verbeeten, & Gamerschlag, 2016). Secondly, we established a reliable

instrument with clear decision rules. Finally, the authors ensured the pilot sample also

reached an acceptable level of reliability – the results of which are provided in the

previous chapter.

    Although Krippendorff (2004) discussed various types of validity, such as face

validity, content validity, criterion and construct validity Weber (1990) contended that

establishing the validity of content analysis is actually a two-step process. An

instrument needs to be developed that appears to be measuring what it supposed to

measure – face validity; and second, ensuring that the inferences drawn from the sample

are compelling and able to be held true for the overall population (external validity).

The content analysis considered the body of content examined; the classification

scheme employed; the quantification type (sampling units); the context units; and, the

measurement or recording units (Krippendorff, 2013).

One of the major impediments in measuring CSR reporting is due to the simple

observation that the concept does not have a widely accepted uniform definition

(Vourvachis & Woodward, 2015). To the extent that Gray, Kouhy, and Lavers (1995)

observed that researchers have found it hard to decide what is and what is not

considered as CSR disclosure. A solution was offered by Milne and Adler (1999) who

noted that deciding on specific topics tends to be easy once researchers agree on what is

included in CSR disclosures. Four common themes have emerged for content analysis,

namely, environment, employee, community and customer-oriented responsibilities,

however, there will be a need for development of other categories (for example, Gao,

2011; Gray et al., 1995; Uyar, Karaman, & Kilic 2020). We used an additional – fifth -

dimension energy, energy related responsibilities which is very important in the context

of Pakistan. A similar approach has been used in previous studies such as (for example,

Haniffa & Cooke, 2005; Said, Zainuddin, & Haron 2009). We read the entirety of each

annual report. Word searches were conducted for each specific item (such as,

environment, waste reduction, employees' benefit, donations, accidents, health and

safety).

Independent variables

The definition and measurement of the independent variables is now discussed.

Environmental sensitivity: We considered companies in extraction/mining, cement,

tobacco, petroleum and chemical industries as environmentally sensitive industries,

following the guidelines of previous studies (for example, Maroun, 2019; Shabana et al., 2017; Simnett, Vanstraelen, & Chua 2009), it was measured as a dummy variable. A value of 1 was used to indicate if the company is operating in environmentally sensitive industry, and, 0 if this was not the case.

Regulatory influences: While there is no specific CSR-related mandatory regulation in Pakistan the SECP issued a CSR Order in 2009, applicable to all public companies (ACCA, 2017). The Order required businesses to disclose CSR policies and practices during the fiscal year, the first Guidelines on CSR were released in 2013 (SECP, 2013). The code of corporate governance and the CSR guidelines resulted in more disclosures on environmental and social dimension (Khan et al., 2018b). Therefore, for the current study regulatory change in the form of code of corporate governance (revisions) and/or CSR guidelines were treated as a dummy variable in order to assess the regulatory influences on CSR reporting. If there were any regulatory change regulatory influences equal 1, and 0, if no regulatory change occurred.

CSR Promoting Institutions: There are many CSR promoting institutions operating in Pakistan (Ali & Frynas, 2017), out of which only three institutions were considered for this study, namely the UNGC, CSRP and CSRCP. The development of these institutions and their membership was treated as a dummy variable. If the company was member of any of these institutions, the variable equals 1, and 0 was assigned if a company was not a member. The information related to membership is available on businesses' and the CSR promoting institutions' webpages.

Size: Earlier literature has shown CSR reporting to be associated with financial

performance, and company size (Chan, Watson, & Woodliff, 2014; Haniffa & Cooke,

2005). Large businesses are expected to report more information to avoid public

concerns. Total assets were used as a control for size. Following the guidelines of

(Clarkson, Richardson, & Vasvari, 2008; Schneper et al., 2015), we took the natural

logarithm of total assets at the end of each fiscal year.

Multinationals: Previous studies highlight that businesses in developing countries are

likely to face pressure from multinational subsidiaries to report more CSR (for example,

Belal & Owen, 2007). Therefore, to understand the difference of CSR reporting

practices between MNCs operating in Pakistan and the local companies we treated

ownership as a proxy variable. A subsidiary of multinationals operating in the country

was given the value 1 and, 0 was assigned to local firms.

Control variables

Financial performance: Companies with higher financial performance are likely to

legitimise themselves by reporting more CSR. We used the return on assets (ROA) as a

measure of the financial performance. ROA has been used as a measure of financial

performance in many studies previously (for example, Situ et al., 2018; Waddock &

Graves, 1997). ROA was measured as the ratio of profit after tax to total assets.
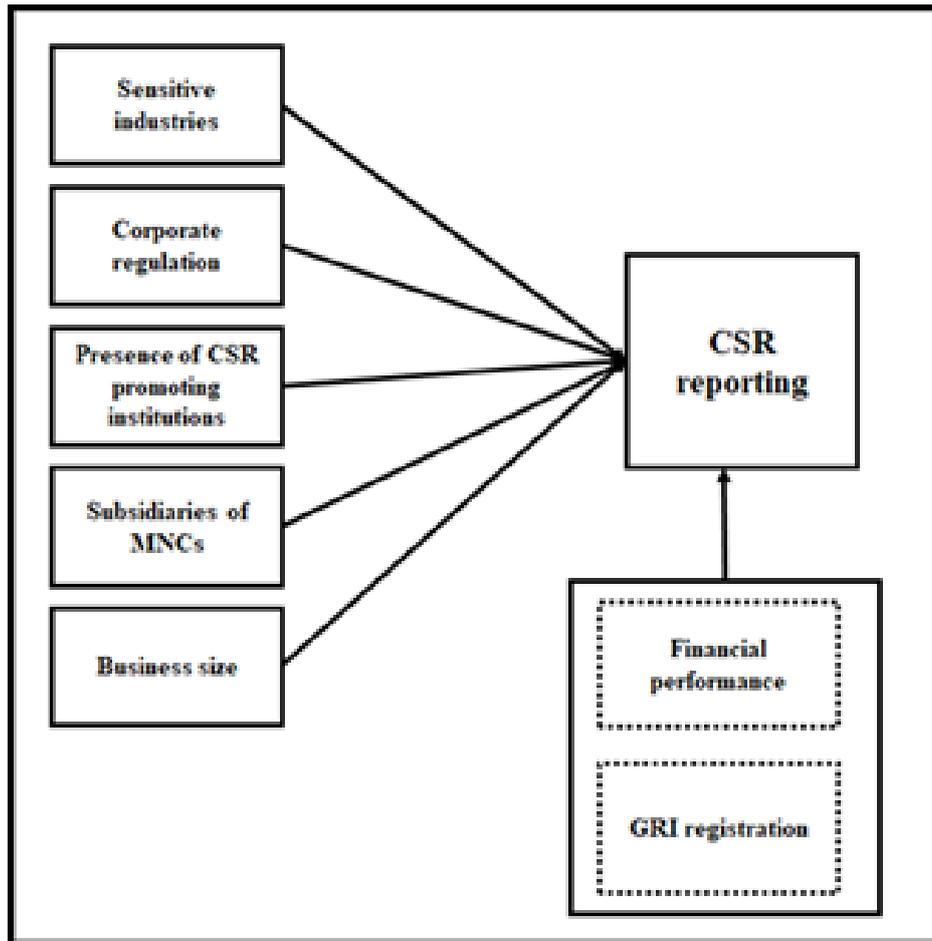
Figure 6.1 Model comprising of hypothesised relationship

GRI registration: International organisations, such as Global Reporting Initiatives (GRI) influence reporting practices of listed companies. The most popular reporting guidelines are provided by GRI. Therefore, it is believed that companies having GRI registration are more likely to disclose CSR-related information. Hence, we also treated GRI registration as a proxy variable. Companies that signed up with GRI being given value 1 and, 0 otherwise.

The independent, control and dependent variables are depicted in Figure 6.1.

6.4.3   Interview process

Interviews were conducted by the lead author, and most of the interviews were carried out at company's premises, only few took place over Skype or Phone due to geographical distance, in line with the guidelines of Farooq and de Villiers (2019), and Deakin and Wakefield (2013). Interviews took place during the year 2017 and were generally conducted in English. However, there were a few cases where the respondent started the conversation in English but later shifted to Urdu language. This made the interview both more detailed and often prolonged the conversation to the benefit of knowledge being gained.

Respondents were asked the questions in relation to the broader institutional and organisational level that could influence CSR reporting. More specifically, the interview guide primarily focused on (1) perceptions and purpose of CSR reporting, and (2) the perceived sources of institutional pressures for businesses to undertake CSR reporting. These questions were supported by a series of probes and prompts. This qualitative data helped in understanding the underlying reasons behind CSR reporting and its quality. The interviews yielded insight into the perception of managers on five dimensions of CSR reporting, as identified by the content analysis of annual reports. Interviews were recorded (with permission), and field notes were maintained during each interview. The recorded interviews were subsequently translated and transcribed.

The interview transcripts and notes were subsequently analysed using NVivo 11 software. The contents of the transcripts were transcribed into five CSR disclosure categories as mentioned in the quantitative analysis above. These five themes were further broken down into sub-themes. Each response from the CSR manager was represented by a unique 'M' code. Results of the themes are discussed in the next section.

6.5 Findings and analysis

6.5.1 Quantitative results

The results of the descriptive statistics for CSR reporting across each dimension is

presented in Table 6.1. The sample companies disclosed most on customer related

responsibilities, followed by community and employee related activities, respectively.

Environment and energy-oriented responsibilities were least reported. Generally, CSR

reporting by the sample companies shows an increasing trend throughout the

longitudinal study.

Table 6.1 The index for CSR reporting and each of its dimensions by year (2001-2017)

	Year			
	2001	2006	2011	2017
Overall CSR reporting index	.09	.32	.52	.72
Environment-oriented responsibilities	.03	.26	.46	.73
Energy-related responsibilities	.01	.21	.33	.64
Employees-related responsibilities	.15	.34	.53	.66
Community-related responsibilities	.12	.38	.59	.67
Customer-related responsibilities	.14	.41	.72	.90

There was a dramatic increase of CSR reporting in 2011; and, the most items were

disclosed in 2017. The mean disclosures were 0.09, 0.32, 0.52 and 0.72 for the years

2001, 2006, 2011, and 2017 respectively. The significant increase, notably on 2006

(see Figure 6.2) can be attributed to various institutional changes that occurred in

Pakistan, and beyond. A similar increase in CSR disclosures has been reported by

previous studies in Pakistan albeit using different samples and time periods (for

example, Ali & Frynas, 2017; Javaid et al., 2016; Malik & Kanwal, 2018).
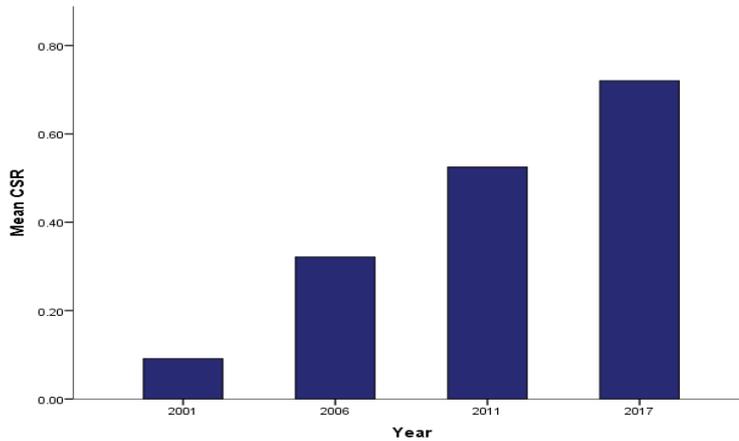
Figure 6.2 Graphical representation of mean CSR indices by year (2001 - 2017)

The descriptive statistics and correlations for each of the independent variables

are presented in Table 6.2. The values of the correlation suggest that multicollinearity

is not a concern. In addition to the correlation matrix, we also performed tests to check

for the critical assumptions of Ordinary Least Squares (OLS) regression (untabulated),

such as normality, influential observation, homoscedasticity and multicollinearity (using

variance inflation factor – such as, VIF) in order to get valid results. For the sake of

brevity, the results of these tests are not reported here.

Table 6.2 Descriptive statistics and correlations

		Mean	SD	1	2	3	4	5	6	7	8
1	CSR	0.4142	0.2908	1.0000							
2	Environmental Sensitivity	0.2414	0.4298	0.1168	1.0000						
3	Regulatory Influences	0.7500	0.4349	0.6447	0.0000	1.0000					
4	Promoting Institutions	0.5000	0.5022	0.7190	0.0000	0.5774	1.0000				
5	MNC	0.1379	0.3463	0.0124	0.0081	0.0000	0.0000	1.0000			
6	Size Ln	0.1679	0.0302	0.1225	0.0387	0.1056	0.0938	-0.0241	1.0000		
7	Financial Performance	0.0810	0.1590	0.0789	0.2623	0.0487	0.0127	-0.0687	-0.0030	1.0000	
8	GRI Registration	0.0948	0.2943	0.3764	0.1612	0.1869	0.3237	0.0412	-0.0224	0.1011	1.0000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 6.3 Impacts of explanatory variables on CSR reporting (Random-effects model)

	CSR	Coef.	Std. Err.	z	P>|z|
H1	Environmental Sensitivity	.0774365	.0605439	1.28	0.201
H2	Regulatory Influences	.3279617	.0355373	9.23	0.000
H3	Promoting Institutions	.2980447	.043418	6.86	0.000
H4	MNC	.0119369	.0734793	0.16	0.871
H5	Size Ln	.7146479	.6332749	1.13	0.259
Controls	Financial Performance	.0101779	.1115577	0.09	0.927
	GRI Registration	-.0128646	.0657251	-0.20	0.845
	_cons	-.0461451	.1103785	-0.42	0.676

n = 116 observations for 29 companies.

6.5.2 Multivariate analysis

Taking advantage of the panel dataset, we utilised random-effects model for our

quantitative study. The appropriateness of random-effects model was determined by

conducting Hausman test. In addition to the Hausman test, there were other reasons for

choosing random effects model. First, it is a common technique for testing the

hypothesised relationships within many cross-sections and few time periods, on the

panel data where correlations can be correlated with the error-terms (Tashman, Marano,

& Kostova, 2019). Additionally, a couple of our key variables are dummy variables,

and have limited variation over time (for example, Regulatory Influences, MNCs

Subsidiary and Promoting Institutions), thereby making fixed effects as inappropriate

technique for time varying independents variables that vary little over time (Cameron &

Trivedi, 2010). Thus, the hypothesised relationship between CSR reporting and the list

of independent variables is expressed by the following model, with financial

performance and GRI registration as control variables. The model was tested using

Stata 14. Prior to the analysing the model, we conducted the following tests to further

check the appropriateness of random effects.

Y(CSR Disclosures) = α + β1Sensitive Industry + β2Reguglatory Influences+

β3Promotion Institutions + β4Size + β5 MNCs + ε

F-test and Breusch-Pagon Lagrange Multiplier Test (pooled OLS vs. Random Effects or

Fixed Effects)

The results of F-test were significant at F= 23.72, with probability = 0.0000. Therefore,

based on these results, we reject the null hypothesis that there are no individual specific

effects – thereby, favouring the fixed effects over pooled OLS regression. Additionally,

we conducted Breusch and Pagan (1980) test of independence to assess the null

hypothesis that there are no random effects. The results of Breusch-Pagon Lagrange

Multiplier were significantly different from zero with (chi2 ($χ$ 2) = 14.46, probability =

0.0001), thereby, showing that the residuals are not serially correlated. Hence, the result

suggested that random effects model was more appropriate than the Pooled OLS. These

tests take Pooled OLS out of question, and Breusch-Pagon test further provide evidence

that favoured random effects. Moreover, we studied same sample of listed companies

along different periods of time, pooled regression automatically become an

inappropriate as suggested by Wooldridge (2010).

The Hausman Test

As mentioned, we used Hausman (1978) specification test to decide between fixed-

effects and random-effects model. The null hypothesis of the Hausman specification test

assumes that the random-effects model is appropriate. We tested both fixed-effects and

random-effects models, and the results show that the individual effects were not

correlated with the regressor (chi2 ($\chi 2$) = 3.47, probability = 0.6274), which lead to the

rejection of null hypothesis, suggesting that random-effects model is more appropriate

than the fixed-effects model. Therefore, based on Hausman test and Breusch-Pagon

Lagrange Multiplier test, we used random-effects model to establish the relationship

between the dependent and the explanatory variables.

Testing for heteroscedasticity and regression analysis

The results of the heteroscedasticity test indicate that our data are free of

heteroscedasticity. The null hypothesis of this test delineates constant variance across

data. The results (chi2(1) = 2.64, and probability = 0.1039), suggesting that we cannot

reject the null hypothesis of constant variance.

Consequently, the results of random effects model comprising of the impact of

CSR reporting on the explanatory variables are presented in Table 6.3. The overall

value of R-square for the model is 0.7450; and, significant at p-value = 0.000. The

controls variables are also aligned in the model following the extant literature that

suggest that CSR reporting is positively affected by the GRI registration and financial

performance (Hahn & Kühnen, 2013; Mallin et al., 2014).

Consistent with *H1*, our results highlight that the coefficient for the relationship

between risky industries and CSR reporting is weakly positive and statistically not

significant. Therefore, we reject our first hypothesis. However, this is a surprising

result considering that previous studies, albeit from different contexts, contend that

businesses in hazardous industries have a tendency to report more CSR if only to ward

off the blame for environmental damage and to appear righteous to stakeholders (for

example, O'Connor & Gronewold, 2013; Sabrina et al., 2019; Shabana et al., 2017).

The second hypothesis for the study posited that the reporting of CSR activity increases with regulatory intervention. As the results in Table 6.3 demonstrate, the coefficient is moderately positive and statistically significant, strongly supporting *H2*, thereby suggesting that businesses are more willing to report CSR with regulatory changes even in weak institutional environment. This finding is consistent with previous studies, such as those by Othman, Darus, and Arshad (2011), Situ et al. (2018) and Marquis and Qian (2014). Consequently, businesses are expected to report more CSR in the presence of regulatory intervention to seek legitimacy. The third hypothesis of our study predicted that businesses are likely to disclose more CSR in the presence of CSR promoting institutions. The regression coefficient is again moderately positive and statistically significant, supporting *H3*. The results of this hypothesis are in line with previous study conducted in Pakistan by Ali and Frynas (2017). Thus, our findings reinforce the argument that the presence of normative institutions have a significantly positive effect on CSR reporting.

Our fourth hypothesis proposes that multinational businesses' reporting of CSR is greater than the local business in developing countries. The coefficient for this relationship is weakly positive but statistically not significant, thereby rejecting *H4*. Although the coefficient is positive, for various reasons it is non-significant. The final hypothesis predicts that larger businesses report more CSR than the smaller ones. The coefficient for this relationship is strongly positive but again not statistically significant, rejecting *H5*. These latter two findings are contrary to previous research (Amato & Amato, 2007; Schneper et al., 2015). Therefore, the results based on the regression analysis suggest that only two of the five variables were significantly associated with the extent of CSR reporting.

6.6   Qualitative results

The aim of our interviews was to understand the actual motivation behind CSR

reporting, and to explore the perception of managers on CSR reporting in general. For

the sake of brevity, we only analyse some of the quotes from interviewees. The practice

of CSR reporting is now mainstream around the world, thereby putting further pressure

on businesses in the developing countries to comply with what have emerged as

international standards (Dong, Burritt, & Qian, 2014; Fifka & Pobizhan, 2014; Zhao &

Patten, 2016). Managers in our sample expressed concerned over such externally

driven motivation as being costly and unlikely to produce the desired results. The

responding managers appeared to be concerned and referred to the global diffusion of

CSR reporting as a key motivator behind for its adoption in Pakistan. For example, one

interviewee stated that, "when we see companies around us reporting CSR, we feel the

need to do the same. I believe in order to survive in today's competitive business

environment, we not only compete for economic resource but also on social and

environmental fronts too" (M2). Along a similar line, another interviewee said that,

"reporting takes a lot of resources in terms of time and money, and I am sure not many

people read our reports" (M8). Despite these issues, the results of the quantitative

analysis demonstrated that CSR reporting has increased significantly in Pakistan.

Managers, such as M5, M11 and M15 shared similar views, that extended to them

sharing their doubts as to its effectiveness.

The managers interviewed also revealed that CSR reporting is due to self-centred

benefits - signalling an image to employees, environment, customers, community and

customers (Jain, 2017). In stating that public image is an important factor for reporting

CSR in Pakistan, one respondent observed that, "public perception is vital for our

business and we are trying to build a positive reputation" (M4). Similarly, M7, M9 and

M14 also considered that public image was an important motivation for CSR reporting.

However, there was a split among the interviewees when it came to view coercive

pressure from government. One manager reported that, "I think the government is not

doing much when it comes to promoting CSR reports" (M1). Government seems to be

playing the role of a facilitator – as most of the directives issued by the government use

language such as *guidelines/guide* rather than *enforced policies or regulations*. On the

other hand, another manager contended that, "the SECP's guidelines on CSR

disclosures and reporting give us an indication on what to report and I would say it (the

guidelines) provides us with a pathway to disclose on social and environmental issues"

(M10). Government is playing a normative role with respect to CSR reporting,

however, it may or may not be impacting at the individual business level. This situation

reflects a clear contrast to developed countries, as in Pakistan there are many state-

owned enterprises (SOEs), where the line between internal ownership and external

regulatory control is blurred.

CSR reporting awards were also considered a major motivator behind CSR

reports. One of the managers interviewed stated that, "because the concept of rewards

builds positive reinforcement of any action. Therefore, awards help drive CSR

reporting" (M6). This position was also supported by M12 and M13. However, if

managers perceive CSR reporting as driving public image and seek recognition via

awards, they are likely to overstate their actual CSR activity. Finally, some respondents

considered Islamic and cultural values as important factors in influencing the level of

CSR reporting.

In summary, the motivating factors for CSR reporting that emerged from the

interview analysis are increasing reporting practices around the world; public image; the

requirements of the Code of Corporate Governance; and, CSR voluntary guidelines and reporting awards. In addition, the managers interviewed consistently pointed out the challenges they face in relation to CSR reporting – the lack of training, inexperience, a lack of resources, the low level of top management commitment, and a supposed absence of external interest in CSR reporting.

6.7 Discussions and conclusion

The aim of the paper was to examine whether the institutional context and organisational characteristics, such as industry type, national regulation, CSR promoting institutions, size and the ownership of multinationals influence the incidence, nature and scope of CSR reporting. To examine the extent of CSR reporting we conducted a content analysis of a sample of annual reports, we then followed this with in-depth interviews of CSR managers to understand their motivation for such disclosure. The study provides a comprehensive examination of CSR reporting practices in a developing country providing much needed evidence that even in a weak institutional environment (notably an inadequate regulatory framework), CSR reporting is driven by other internal and external legitimacy pressures.

6.7.1 Institutional influences and corporate strategies

While businesses in hazardous industries were observed to disclose more CSR compared to others the result was, surprisingly, not statistically significant. This particular result contrasts with findings from previous studies (for example, Cuganesan, Guthrie, & Ward, 2010; Jackson & Apostolakou, 2010; Siano, Vollero, Conte, & Amabile, 2017). Several local factors may have impacted on his particular finding. For instance, Pakistan lags behind other developing countries in terms of mandatory

disclosures (Mallin et al., 2014) suggesting that business may simply *get away* with environmental wrongdoings. Although, there are industry-specific regulations in the country (for example, the Pakistan Environmental Protection Act 1997, among others) CSR reporting by environmentally sensitive businesses remains voluntary. Government and other stakeholders are yet to affect the amount of voluntary information or the level of detail on CSR disclosures in these particular annual reports, relative to other industries.

By contrast, we find that government regulation (in this case: CSR guidelines and the corporate governance code), and CSR promoting institutions play an important role in determining the extent of CSR reporting across the sample. However, the findings of our interviews suggested otherwise, many of the managers interviewed were yet to be convinced of the role of government in initiating, increasing, or enhancing CSR reporting in Pakistan. This result is also evidenced in previous research suggesting that developing countries have weak law enforcement and high levels of political corruption hence greater reliance on more informal mechanisms (Marquis, Yin, & Yang, 2017; Yusuf &Yousaf, 2019) to increase CSR reporting. However, the quality of CSR reporting without external inspection remains doubtful and it would be easy to interpret these reports as simply legitimacy-seeking devices that pay lip-service without any practical significance.

The presence of CSR promoting institutions has a positive and significant influence on reporting. Although the extant literature suggests that Pakistan lacks CSR promoting institutions that encourage CSR (Jamali & Neville, 2011; Lund-Thomsen, Lindgreen, & Vanhamme, 2016) a recent study conducted by Ali and Frynas (2017) provides evidence that normative institutions, such as CSR forums and networks play an importing role in enhancing the extent of CSR reporting in Pakistan. The reasons

behind this could be the novelty of CSR in Pakistan, the presence of normative institutions in the country may further bolster the perception of CSR reporting as a professional domain. Such institutions appear to play a vital role in promoting the policy and practice of CSR in other developing countries (Zhang, Wang, & Zhou, 2019) where there is lack of formal regulation. These promoting institutions can include various types of organisations, such as environmental protection societies, charity organisations, and other NGOs. However, these institutions could also be responsible for symbolic disclosure. Despite that limitation they may contribute to capacity building – including specific knowledge and training (as one of the challenges pointed out by the interviewees) on CSR reporting.

We also hypothesised that subsidiaries of MNCs would report more CSR than local businesses in Pakistan. Our logic behind this prediction was that MNCs, businesses with global outreach would have a wider understanding of social and environmental issues and in turn have increasingly broad expectations being placed upon them by stakeholders. But contrary to our expectations, we found a weakly positive but non statistically significant relationship between internationalisation and reporting. These findings are in line with previous research, such as that by Momin and Hossain (2011) who found subsidiaries of MNCs reporting less than other companies in Bangladesh. It is probable that the concept of explicit CSR (Matten & Moon, 2008) has diffused internationally and MNCs may pay less attention to CSR reporting at a domestic level – it now being taken for granted. The interesting and unexpected finding that subsequently emerged was that local companies in Pakistan disclose more than the subsidiaries of MNCs. This result support's an earlier study by (Khan et al., 2018b), whereby businesses in Pakistan were found to disclose more CSR than listed companies

in New Zealand. Further studies are needed to develop a greater understanding of this asymmetrical and unexpected phenomena.

Finally, we hypothesised that larger businesses would report more CSR than smaller business. Larger businesses having greater exposure to social and environmental issues, therefore, facing more pressure to report CSR. However, no statistically significant relationship between size and CSR reporting was found. This could be because larger businesses may already have mature social and environmental performances, and often are the leaders in setting standards. Consequently, reporting CSR is no longer a major concern for them. A corollary to this is that larger businesses have been influence others – late adopters then pursue CSR reporting symbolically rather than with substance (Shabana et al., 2017). These findings are in contrast with those of previous studies that contend that larger organisations are likely to have more resources and infrastructure to prepare better quality CSR reports than smaller organisations (for example, Dong et al., 2014; Lu & Abeysekera, 2014; Maroun, 2019). However, our findings support those of Mizruchi and Fein (1999), who argued that in institutional fields where there is less coercive force, businesses are actually less likely to focus on mimetic forces.

The qualitative section focused on managerial perceptions of the institutional pressures concerning CSR reporting and the challenges faced of doing so. CSR reporting by the sample organisations is perceived to be driven primarily by public image, CSR guideline, and other parochial motives. Reporting that emerged due to these reasons is likely to be symbolic in nature. Although, CSR reporting requires resources in terms of time and money it is not expected to bas costly as the activity itself (Bansal, 2005; Tashman et al., 2019) yet the managers interviewed revealed that

their CSR reports are simply modelled on others thereby decoupling (Bromley &
Powell, 2012; Graafland & Smid, 2019; Luo et al., 2017) reporting from performance.

Contrary to the findings of the quantitative analysis the interviews suggest that the
dominant institutional driver for CSR reporting *is* one of emulating peer organisations.
These findings are in line with previous studies that cited mimetic isomorphism as
being a major influence on CSR reporting in a weak institutional environment (for
example, Khan, Lew, & Park, 2015; Zhao & Patten, 2016). Therefore, there remains
the need to improve the scope of CSR reporting in Pakistan by changing the perception
of CSR/sustainability managers. If managers continue to use CSR reports to solely
project image it is unlikely that beneficial outcomes will emerge.

6.7.2 Contributions to research

This study sought to make two major contributions to the literature on CSR reporting.
First, prior studies have found empirical support for either the internal or external
institutional environment influencing CSR reporting, the combined effects had not been
investigated. To do so we used a mixed-method methodology in a developing country
context (Broadstock, Collins, Hunt, & Vergos, 2018; Momin & Parker, 2013). In this
particular context we used industry classification, corporate regulation, the presence of
CSR promoting institutions, business size and ownership as the determinants of CSR
reporting. Through in-depth interviews we identified additional internal and external
institutional factors, such as public image, reporting awards, global reporting standards,
and regulatory changes as being the most cited reasons for CSR reporting.
Consequently, our findings add to the growing literature on CSR decoupling (García-
Sánchez, Hussain, & Khan, 2020; Graafland & Smid, 2019), namely, the difference
between reported CSR and practiced CSR.

Second, we broaden the understanding of the relationship between the
institutional environment and business (Adams, 2002; Brammer, Jackson, & Matten,
2012) responding to the longstanding call to explore CSR reporting in Pakistan.
Although the pressures on businesses to report CSR are mounting in Pakistan (Khan et
al., 2018b), just like elsewhere, we are unaware of any study investigating the question
*why CSR reporting is institutionalised in Pakistan (including the extent of CSR
reporting and from the perspective of managers)*. We believe that studying CSR
reporting under a complex institutional environment, may have theoretical and practical
implications for other locations. Although our sample for both qualitative and
quantitative studies was drawn from businesses in Pakistan, our findings may have
implications for companies operating in other developing countries with similar weak
institutional environments.

6.7.3   Limitations and future research implications

The study has the inherent characteristics of categories of content analysis, relying on
45 items on the checklist. With the growing interest in CSR and sustainability, business
is now disclosing a variety of grand challenges (for example, climate change). This
limitation is also identified in previous studies (Khan et al., 2018a; Vourvachis &
Woodward, 2015). Future studies are encouraged not to limit data to a predetermined
checklist of items and consider volumetric studies to cover the emerging holistic
disclosure.

The second limitation is the focus on CSR reporting in annual reports. As CSR is
becoming an increasingly important the use of standalone sustainability reports and
website reporting is being used to disclose such information. Our data was limited to

annual reports to gain the benefit of a considerably longer frame. Future research could seek to embrace all annual disclosures, regardless of medium to provide a more comprehensive understanding of CSR reporting.

Finally, one of the important themes that emerged from our research is the lack of quality in CSR reporting in Pakistani context – decoupling. Research needs explore the broader institutional and regulatory environments that lead to such corporate behaviour. This may be explored by incorporating multiple perspectives of CSR reporting including media, regulators, academicians, consultants, and committed top level management.

6.7.4   Implications for practice

Our findings have significant implications for practice. First, as CSR reporting comes at a cost both in terms of financial and temporal resources, even relatively weak CSR reporting has merit. When businesses start reporting on CSR, the process triggers the need to bridge the gap between CSR reports and actual practice (Schoeneborn, Morsing, & Crane, 2019). Although, analysing actual implementation of the businesses is beyond the scope of this paper reporting on CSR may generate a sense of entitlement and responsibility among the members of organisation which may ultimately result in practice (Graafland & Smid, 2019) being pursued. Therefore, business can benefit from these findings, providing managers with relevant experience and training the field of CSR reporting. This training may also come from CSR networks and forums (Ali & Frynas, 2017). Additionally, business schools can also play a vital role in training managers on CSR reporting. This will not only provide managers with tools to understand cultural and contextual sensitivities within a country but also reassure the relevance of business schools to an increasing damming international audience.

Finally, government could also encourage stakeholders to raise awareness of corporate and social issues. These stakeholders may include media, labour unions, NGOs, media groups, academic institutions, trade associations, and CSR promoting institutions among others. Policy makers need to think about how to motivate management – as committed CEOs are more likely to ensure transparency in CSR reporting, and minimise decoupling.

CHAPTER 7 THE INSTITUTIONAL ANALYSIS OF CSR: LEARNINGS FROM AN EMERGING COUNTRY

Majid Khan, James C. Lockhart, and Ralph R. Bathurst

7.1   Overview

Aim of the paper: This paper presents an explanation on why and how institutional arrangements influence the practice of CSR in an emerging country. The study examines the influence of institutional dynamics in Pakistan. The author conducted in-depth interviews with a variety of stakeholders – CSR managers from different industries; national regulators; and, members of CSR promoting institutions in Pakistan. The findings suggest that Pakistani CSR is largely found as support for charities and donations to that same effect. Normative isomorphism including both family traditions and religion are primary drivers for the adoption of CSR followed by the influence from peer pressure. Only limited evidence of regulative pressures was found. This is attributed to the current ambiguity surrounding corporate regulation in Pakistan. This chapter specifically contributes to the literature on CSR by identifying internal determinants such as self-interest, top management's commitment and corporate culture, in addition to the external institutional antecedents. Implications for national regulators, business and future research on CSR are highlighted.

Duplication: Readers are again expected to find some duplication in terms of the theoretical framework used in this chapter. Additionally, there is may be some overlap in relation to the method section, Chapter Three, as the paper is based on the purely qualitative aspects of the study.

Publication details: This paper has been accepted for publication in a special issue on 'corporate social responsibility, corporate governance and corporate policies in

emerging markets' in *Emerging Markets Review*. The journal is ranked as A on ABDC list.

Appended as DRC 16: Massey University's publication contribution form is included in Appendix G.

Referenced as: Khan, M., Lockhart, J. C., & Bathurst, R. J. (2020). Institutional analysis of CSR in the context of an emerging country. *Emerging Markets Review*. Forthcoming.

7.2   Introduction

Corporate social responsibility (CSR) is now taken for granted within Western societies (Bondy, Moon, & Matten, 2012). Various reviews of the literature have gone a long way to map "what we know and don't know about CSR" (Aguinis & Glavas, 2012, p. 932). Unfortunately, the research falls short of a much needed and more nuanced analysis of how CSR is manifested in developing countries (Jamali & Karam, 2018). CSR is diffusing globally and has to meet institutional expectations in different national contexts (Campbell, 2007; Muthuri, Moon, & Idemudia, 2012). Diffusion of CSR from the global north to the global south has been found to be institutionally bound or culturally specific (Yin & Zhang, 2012). This is because businesses are embedded in national institutions, and that embeddedness makes the case for CSR being unique as opposed to it being similar to the dominant Western model in each context (Ghoul, Guedhami, & Kim, 2017). Therefore, CSR is expected to have different interpretations in each such context (Ioannou & Serafeim, 2012). The Western-centric nature of CSR may actually have limited value in explaining how and why businesses behave in socially responsible ways beyond the context within which it was developed. This is because the actors within a particular institutional field face a unique combination of

various governmental regulations, civil society groups, industrial norms, NGOs, and societal expectations that may result in different CSR policies and practices (Campbell, 2007). The opportunity to develop a more nuanced understanding of CSR in non-Western contexts is expected to open new avenues for research into CSR around issues stemming from institutional peculiarities that appear to have been ignored to date.

Coinciding with the development of scholarship on the role of businesses in society (Crane, Henriques, Husted, & Matten, 2016b) has been the emergence of numerous differences between developed and developing countries. For instance, while the practice child labour is illegal and long been abolished in Western countries, it continues to operate in South Asian countries (Kumar & Steinmann, 2015). Another example is provided by the retrenchment of employees during an economic downturn. Laying off workers is perceived as normal in many Western countries but has a strong negative connotation in Asian cultures (Crane & Matten, 2004). Li, Fetscherin, Alon, Lattemann and Yeh (2010) made two observations of CSR in developing countries; businesses in developing countries adopt less CSR initiatives than their counterparts in developed countries; and, the reason for this gap is the lack of economic development. Further, poor quality of government regulation and weak enforcement mechanisms are evident in most developing countries (Claessens & Yurtoglu, 2013; Rathinam & Raja, 2010). Developing countries are characterised by greater informality, resulting in a lack of reliable measures in corporate governance, transparency, intellectual property protection, and accounting standards (Marquis & Raynard, 2015). These characteristics demonstrate the contrast in the respective institutional environments. The disconnect appears to be due to local, and not global institutional conditions determining what it means to be socially responsible. Consequently, we suspect that understanding

institutional dynamism in an emerging country may reveal new insight into CSR that could have applicability elsewhere.

We use the theoretical foundations of neo-institutional theory (Aguilera, Rupp, Williams, & Ganapathi, 2007) to analyse how institutional drivers act as antecedents of CSR in a developing country. Institutional theory provides a powerful perspective to understand a social phenomenon in a particular context (DiMaggio & Powell, 1991). Early writings on institutional theory focused on the question: Why are organisations so similar? Organisations are so similar due to isomorphism and conformity pressures. However, recent work on institutionalism contends that conformity may vary, and that there are expected and important sources of variation in response to institutional pressures, such as self-interest, the degree of agency, choice, and pro-activeness (Scott, 2008b). Further, these agentic responses are expected to be more pronounced in fields engulfed with institutional complexity (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). Institutional complexity is a unique characteristic of developing countries (Marquis & Raynard, 2015). Complexity refers to heterogeneity of institutional pressures to which businesses are subsequently exposed (Greenwood et al., 2011). As a result, we can make two claims from the extant literature on developing country contexts. First, institutional demands have failed to improve working conditions; and second, businesses frequently find ways to ignore institutional demands (Soundararajan, Spence, & Rees, 2018). Therefore, exploring the institutional conditions that result in socially responsible behaviour or otherwise in developing countries is particularly important.

There have been numerous calls to study CSR in developing countries to recognise, identify and define the institutional context of CSR (Jamali & Karam, 2018). These calls have resulted in theoretical and empirical works, such as those on China,

(Guo, He, & Zhong, 2018; Yin, 2017), South Korea, (Kim et al., 2013), Kenya (Muthuri & Gilbert, 2011), Nigeria and South Africa (Eweje, 2006), Vietnam (Nguyen, Bensemann, & Kelly, 2018), Malaysia (Lu & Castka, 2009), and Bangladesh (Belal, Cooper, & Khan, 2015). However, despite this largely descriptive response the what (substantive), why, and how of CSR remains under-addressed, particularly in Pakistan. Therefore, this study explores how institutional pressures (regulative, normative & mimetic) influence the practice of CSR in Pakistan. This dynamic institutional environment provides an ideal setting through which to learn the impact of institutional mechanisms on the what, how, and why of CSR from a variety of respondents' perspectives. While Pakistan is characterised by weak corporate regulation (Yusuf, Yousaf, & Saeed, 2018), the practice of giving in the forms of charities and donations is deeply embedded within the country's cultural and religious traditions. Moreover, the recent history of political and economic turmoil in Pakistan represent unique challenges for business. Western societies do not share such religious, cultural and, political preferences, at least not to the same extent thus making Pakistan a particularly interesting context within which to study CSR.

In light of the knowledge gap, the research sought to answer the question of how and why businesses operating in weak institutional environments may pursue CSR practices? We believe this is a unique quest in the study of CSR, considering that Pakistan has been experiencing Westernisation culturally and financially through the influence of Western institutions (Munir & Naqvi, 2017). This has resulted in an interesting paradox. On the one hand, the country has for decades had corporate regulation, primarily influenced by the West yet on the other, companies in Pakistan are repeatedly found to be involved in the exploitation of stakeholders, corruption, and human rights violations (Ashraf, 2018). Therefore, Pakistan presents a useful context

for the researcher to focus on how corporates practice and interpret CSR, in what looks like a weak environment. In doing so, we use a qualitative research paradigm to analyse the complexity of institutional pressures faced by businesses when dealing with a changing business environment, corporate and value systems. We conduct interviews with a variety of actors, such as CSR managers, national regulators, and CSR-promoting institutions, to gain a holistic understanding of CSR, embedded in Pakistan's economic and institutional characteristics.

The paper makes two main contributions to the literature on CSR. First, in order to develop a contextually relevant CSR agenda, we examine the understanding of the institutional environment and predictors of CSR in Pakistan. Because CSR has different meanings, orientations and relevance across contexts (Dobers & Halme, 2009; Halme & Laurila, 2009; Ioannou & Serafeim, 2012), there is a need to develop a contextualised understanding of CSR (Matten & Moon, 2008). As such the study uncovers the meaning of CSR in a context not yet explored; that is, it augments the nascent literature on the institutional drivers of CSR in a South Asian country. In this regard, we show how actors within a weak and complex institutional field explain the understanding and rationale behind the pursuit of CSR. Moreover, we examine the CSR activities and the processes of implementation that constitute a unique CSR adoptive mechanism. Second, we explain how, in the absence of strong government regulatory and enforcement mechanisms, pressures like family traditions, religion and mimicking peers influence companies to remain socially responsible, or at least claim to do so. In addition to analysing the external institutional environment, we identify aspects of internal organisational-level factors – self-interest, top management's commitment and corporate culture as important factors driving business to adopt CSR. We find evidence to address the limitation currently lacking in the internal perspective of institutional

theory. We believe these contributions may help to understand the nuances of CSR in developing countries. That is, the findings are discussed in the context of developing countries in general.

7.2.1 Significance of the Pakistani context

Unique economic, social and institutional characteristics differentiate developing countries from those that are developed (Marquis & Raynard, 2015). The economy and society in developing countries are evolving together in a manner that places an obligation on business to promote both economic and social development (Muthuri et al., 2012). While economic and social development in developing markets have typically kept pace with one another, theories of their management and organisation have not followed the same pattern (Davis & Marquis, 2005). One of those fields is CSR which provides fertile grounds for testing, refining and developing new theories (Crane et al., 2016b) in this context.

The selection of Pakistan as an empirical setting is due to its emerging role in the global economy and because its economic and social expressions are markedly different from Western counterparts. As an emerging country, Pakistan has its own challenges. The country has a population of 200 million people, ranked the sixth most populous in the world. Nevertheless, regardless of its tremendous human resource, the country is engulfed by challenges. For instance, it ranks 150th out of 189 countries on the Human Development Index (HDI) (Human Development Report, 2018) highlighting the plight of a great number of people living below the poverty line resulting in low life expectancy; low per capita income; and, poor education.

The country's fortunes have ebbed and flowed over the course of history (Munir, Naqvi, & Usmani, 2015). Pakistan has never managed to build a strong foundation for

business at either the governmental or societal level. Now Pakistani businesses are facing the simultaneous needs of being both competitive and socially responsible, more so with the emergence of the $65 billion dollar China-Pakistan Economic Corridor (CPEC) (Ahmad & Hong, 2017; Esteban, 2016). This international project is expected to expose local business to even greater pressure for CSR (Attig, Boubakri, El Ghoul, & Guedhami, 2016).

Pakistan is recognised as an emerging country (Claessens & Yurtoglu, 2013; Marquis & Raynard, 2015) by international rating organisations (IMF, 2018; FTSE, 2018). Throughout its first four decades, Pakistan was amongst the top ten emerging economies in the world, achieving 6% annual GDP growth which was well ahead of its neighbours India and Bangladesh (Husain, 2018). However, since that time the country has faced economic and social malaise due to political instability and frequent changes of government.

The Pakistan Stock Exchange (PSX), with 713 listed companies, has several features that distinguish it from other capital markets (Fatima, Mortimer, & Bilal, 2018). The PSX serves as an engine for investment inflow with the deliberate intention of mobilising both local and foreign investors, coinciding with the largest percentage of young people (64%) being below 30 (Kundi, 2018) in contrast to developed countries who face an aging workforce. However, despite these potentials the country faces significant challenges of transparency and accountability (Jamal, 2018). Pakistan has a tumultuous wake of near continuous large-scale irresponsible corporate conduct, such as, child labour (Khan et al., 2007); lack of empowerment of women (Munir, Ayaz, Levy, & Willmott, 2018); the mistreatment of employees (Ashraf, 2018); gross tax evasion (Akhter, 2019); and, misconduct of accountability (Jamal, 2018). By and large, businesses in Pakistan have a very narrow conception of interpretation of CSR (Khan,

Lockhart, & Bathurst, 2018a). CSR being typically equated with philanthropy (Yunis, Jamali, & Hashim, 2018). Pakistan has lagged well behind the adoption of broader CSR initiatives (Yunis, Durrani, & Khan, 2017) being pursued in developed countries. CSR in Pakistan is met with a great deal of scepticism. Both researchers and practitioners believe that the majority of Pakistani businesses are only interested in the pursuit of profit. The concept is simply not well-developed (Fatima, 2017). However, despite the current weak implementation of CSR in the country, the Securities and Exchange Commission of Pakistan (SECP) has been committed to developing a CSR culture since launching the first Code of Corporate Governance in 2002. More recently, the SECP drafted, 'Corporate Social Responsibility Voluntary Guidelines' to promote CSR and appropriate CSR disclosures (SECP, 2013) in Pakistan. Since the launch of the guidelines there has been an uptake in CSR disclosure across the country (Ali, Frynas, & Mahmood, 2017; Malik & Kanwal, 2018; PIGC, 2013) with businesses producing standalone sustainability reports or dedicating a separate section in their annual reports to CSR. However, the promise of these CSR policies is yet to be realised. Pakistan, therefore, remains a fitting context in which to study CSR, and its adoption or otherwise as shaped by the institutional environment.

7.3 Theory

7.3.1 An institutional analysis of CSR

CSR is defined in many ways (Dahlsrud, 2008). Different models of CSR prescribe to whom and for what businesses are supposedly responsible (Jain, 2017). We favour the definition, "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams & Siegel, 2001, p. 117). As identified earlier, the majority of studies on the institutional antecedents of CSR are

based in the context of economically and socially advanced countries, complete with their democratic institutions, self-regulation and free markets (Dentchev, Haezendonck, & van Balen, 2017; Khan & Lockhart, 2019). Few studies have focussed on why businesses are unable to bring about similar social and environmental change in developing countries (Jamali, Lund-Thomsen, & Khara, 2017) to date. However, while interest in CSR is growing in developing countries as the result of the global diffusion of practice (Jamali et al.,2017) it still remains a widely contested and somewhat controversial concept (Matten & Moon, 2008). For instance, whether CSR is seen as an entirely voluntary practice or merely an obligation to manage the expectations of external referents – varying demands of stakeholders generally shape and exhibit the context of organisations (Athanasopoulou & Selsky, 2015; Griffin, Guedhami, Li, & Lu, 2018) is yet to be resolved. Managers in a developing country are expected to determine, often in negotiations with their stakeholders the way of and means through which they are increasingly socially responsible. Therefore, the institutional context is too important to be ignored.

Institutional theory explains how a shared system of rules, norms, beliefs, and traditions exist within a field of organisation that distinguishes that field from others (DiMaggio & Powell, 1991). An institutional field is, "a set of organisational populations and the relations that embed members of these populations into a social system or network with a purpose" (Barley, 2010, p. 780). One consequence of institutional theory is that organisations operating within the field face pressure to become isomorphic – they are rewarded for conformity with the institutional pressures, and nonconformity is discouraged (Hendry, 2006). Once established, institutional norms are then responsible for creating behavioural consistency (O'Connor & Gronewold, 2013). However, Pache and Santos (2013) observed that while a particular

institutional field exerts pressures on businesses to confirm, it does not necessarily result in the passive homogenisation of behaviours. Consequently, organisations are regarded as having some leeway to show conformity. Some businesses succumb to pressure more than others. For example, publicly listed businesses may feel more pressure to conform to institutional demands due to their higher visibility (Boubakri, El Ghoul, Wang, Guedhami, & Kwok, 2016; Filatotchev & Nakajima, 2014). While other businesses may be able to ignore the same institutional pressure because of their elite status that effectively insulates them from such coercive, normative and/or mimetic isomorphism (Boubakri, Guedhami, Kwok, & Wang, 2019; Miller, Breton-Miller, & Lester, 2013). Actors in an institutional field may have conflicting opinions, and debate business' commitment to CSR (Hoffman, 1999), especially in the context of a developing country if marked with institutional complexity.

Various elements of CSR may be institutionalised in regulation, corporate values, industry self-regulation, public discourse, business ideologies and their values (Campbell, 2007). Institutions are defined as the, "formal rules and taken-for-granted cultural frameworks, cognitive schema, and routinized processes of reproduction; and assumes that actors are motivated more by a logic of appropriateness whereby action is constrained and enabled by cultural frames, schema, and routines" (Campbell, 2006, p. 926). Therefore, the institutionalisation of CSR occurs when actors within a field of organisations adopt a shared understanding of socially responsible behaviour (Bondy et al., 2012). Institutional theory providing an important lens to highlight the salience and uniqueness of such complexities for the conceptual and empirical development of CSR (Filatotchev & Nakajima, 2014) within a specific context.

Previous studies have highlighted political, economic, societal, market and environmental norms as being determinants of isomorphism (DiMaggio & Powell,

1983; Meyer & Rowan, 1977). Because regulation requires the same minimum levels of behaviour (Crane & Matten, 2016), institutionalisation is more likely to occur within industries having significant regulatory pressure (Campbell, 2007). Similarly, cultural norms and values within a context exert pressure on businesses to institutionalise certain behaviours within their own social fabric (Meyer & Rowan, 1977). These latter institutional determinants influence whether or not decision-makers will embark on CSR. The failure of an organisation to adopt to critical institutional norms is found to result in threats to its legitimacy, survival capability and resource acquisition (Oliver, 1991; Yin, 2017). Consequently, businesses use CSR initiatives to legitimise their actions, appearing desirable within the local social fabric of prevailing norms, traditions, and belief system (Khan, Lew, & Park, 2015; Kuznetsov, Kuznetsova, & Warren, 2009). The three contributing elements of the institutional environment - coercive, normative and/or mimetic isomorphism – are now discussed.

7.3.2 Coercive isomorphism and CSR

Coercive isomorphism results from both formal and informal pressure being exerted on organisations by other organisations upon which they are dependent, including the regulatory regimes within which organisations operate (DiMaggio & Powell, 1983; Peng, 2002). Coercive isomorphism occurs when a business adopts different practices as the result of imposition from a more powerful organisation, such as government.

Governments are found to play a significant role in encouraging CSR (Boubakri et al., 2019; Dentchev et al., 2017) because they can reduce the institutional complexities and uncertainties that hinder the adoption of CSR (Lepoutre, Dentchev, & Heene, 2007). However, both government and business have a responsibility in addressing and promoting responsible behaviour (Aßländer & Curbach, 2017).

Government normally establishes hard regulation that acts as coercive pressure for CSR, whereas industry develops self-regulation based on the principle of voluntarism (Marquis, Glynn, & Davis, 2007). Therefore, the ability of a government to formulate and enforce appropriate regulation to promote CSR is vital. However, governments in developing countries often lack the ability to enforce regulation associated with CSR, most likely due to either corruption or an entirely ineffective enforcement regime. These inefficiencies result in varying interpretations of regulation and different levels of compliance (Marquis et al., 2007). Research on the role of government in encouraging CSR has received less attention and when studied has not been adequately discussed (Knudsen, 2017, 2018). Fox, Ward, and Howard (2002) argued that government plays as many as four roles with respect to CSR: mandating, facilitating, patterning and endorsing but the effectiveness of the regulatory mechanism requires active vigilance (Knudsen, 2017) by all societal actors. Consequently, we investigate the strength of the regulatory system and its enforcement in relation to CSR in Pakistan, where such vigilance does not appear to exist.

7.3.3 Normative isomorphism and CSR

By contrast, normative pressure is said to emerge from the diffusion of norms, values, assumptions and beliefs regarding business behaviour (DiMaggio & Powell, 1983): all of which are outcomes of global professionalisation processes. Over time businesses comply with practices promoted by professionals – which differ according to corporate culture, norms, and values derived from the national context within which business operates (Ghoul, Guedhami, & Kim, 2017; Martínez-Ferrero & García-Sánchez, 2017). This type of isomorphism occurs when appropriate organisational standards are

promoted by various professional groups, with which business subsequently complies, for example accountants, auditors and lawyers.

Business involvement in social issues depends partly on identifying with these community norms, the awareness of their needs, and the embeddedness of business with societal actors (Marquis et al., 2007; Moon & Vogel, 2009). Over time, dominant norms in the local or global social fabric become standards, encouraging business to conform (Campbell, 2006). Yin (2017) argues that the more businesses perceive societal norms and values as being important, the more they are likely to act socially responsibly. These norms are, in turn set by a variety of actors, such as NGOs, institutional investors, media, social movement organisations, and professional associations (El Ghoul, Guedhami, Nash, & Patel, 2019; Muthuri & Gilbert, 2011). Normative elements of the institutional environment are, therefore, pivotal in promoting responsible behaviour. This is because acceptable behaviour and morally contestable issues not being explicitly covered by formal regulation (Crane & Matten, 2016).

Numerous institutions are observed to work for the promotion of CSR in Pakistan including CSR Pakistan; Corporate Social Responsibility Centre Pakistan (CSRCP); the United Nations Global Compact (UNGC); and, the Sustainable Development Policy Institute (SDPI) (Ali & Frynas, 2017). Businesses appear to respond, in one manner or another, to these institutions and companies have started professional membership of like-minded industry groups.

Normative aspects of the institutional environment also comprise cultural norms, values, mental models, ideologies and interpretation of shared meanings (Scott, 2008a). Businesses are found to conform to the established cultural and religious norms appropriate within a social context (Kostova & Zaheer, 1999). The majority of Pakistanis are Muslim, the religion is rooted within society and hence Islam influences

corporate practices in general, including CSR (Zaman, Roudaki, & Nadeem, 2018).

Moral values that the prevailing culture imposes are also found to be vital in

determining a company's choice to be socially responsible (Martinez-Conesa, Soto-

Acosta, & Palacios-Manzano, 2017) or otherwise. In addition to understanding

coercive pressures on CSR this research also determines the normative influences on

business in Pakistan.

7.3.4 Mimetic isomorphism and CSR

Uncertainty compels businesses to emulate others (DiMaggio & Powell, 1983).

Businesses operating under strong industrial peer pressure are observed to mimic the

ethical and responsible practices of others (Martinez-Conesa et al., 2017), mimetic

isomorphic behaviour. These external pressures typically occur in situations of

uncertainty where organisations may adopt the behaviour of others, other industries, and

that in other countries (Martínez-Ferrero & García-Sánchez, 2017).

Mimetic pressure occurs in the form of peer pressure from industry or the CSR

leaders within the respective institutional field. Matten and Moon (2008) argue that

mimetic isomorphism results from industry norms, codes of conduct and global

diffusion of CSR practices. A business may model itself on or seek to emulate the

practices of other organisations that it perceives as being more successful. Mimetic

pressures are also suspected of being at play when businesses are unaware of CSR.

A broad customer base or labour force inspires business to seek legitimacy

(DiMaggio & Powell, 1983). This type of pressure may also be influenced by the

industry within which a business operates (Shabana, Buchholtz, & Carroll, 2017). For

example, a business may seek to legitimise itself by emulating CSR practices carried

out by a business regarded as leading socially responsible initiatives (Shabana et al.,

2017). There could also be influence from the industry within which a business operates. The business seeking legitimacy by emulating the CSR practices carried out by the industry's accepted leader in CSR initiatives. Delmas and Toffel (2004) argue that these pressures are more salient in developing countries since businesses in those countries tend to follow their counterparts elsewhere as they are perceived to have a high reputation. The influence of mimetic pressure on CSR practice in Pakistan is also explored.

The three types of isomorphism collectively provide a distinct basis for the legitimacy bestowed upon a business by institutional actors, acquired by conforming to the legal regulations, moral compliance, and the adoption of a common frame of reference. Hence, we study the central argument of neo-institutional theory to examine whether or not coercive, normative and mimetic isomorphism have influence on CSR practices in Pakistan.

In summary, businesses are often anthropomorphised into human beings – social actors functionally treated as being identical to organisational actors (King, Felin, & Whetten, 2010). However, organisations are less likely to be seen as experiencing feelings and emotions although they are thought to have equal capacity for agentic responses (Shea & Hawn, 2018). Therefore, the proposition offered by institutional theory is that organisations collectively integrate signals from what may be considered as templates to obtain legitimacy from the external environment. As a consequence, their behaviour is expected to converge (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). However, this view overly simplifies the homogenisation of organisations' responses to the pressures mentioned above. It also disregards the agent-level responses to institutional pressures as being complementing or counteracting (Tilcsik, 2010). These agentic responses result in decoupling (Westphal & Zajac, 2001), especially

when it comes to legitimacy-seeking pressure to embark on CSR (Jamali et al., 2017), whereby businesses only symbolically respond to intuitional pressures. In essence, what emerges from these particular writings is that a more pragmatic and process-oriented approach to study CSR is required, one in which idiosyncratic constraints, interests, motivations and incentives are expected to play a vital role (Scott, 2008a). We argue that CSR needs to be both understood and enacted differently across various institutional fields: An institutional field characterised with complexity may provide both new and additional perspectives for organisational studies in general. How business makes sense of the need for social responsibility and how its policies become practices crafted within the organisation, in relation to the institutional environment, has been largely missing to date. Therefore, we expect that when combined the micro-foundations of CSR and the macro-institutional factors are expected to be unique to each business.

7.4 Research approach

Researchers have utilised various methods to study CSR including the content analysis of reports (Khan, Lockhart, & Bathurst, 2018b; Milne & Adler, 1999); interviews with decision makers (Eweje, 2006; Higgins, Muthuri, & Gilbert, 2011); the review of environmental, social, and governance (ESG) ratings (Cai, Pan, & Statman 2016); and various multi-methods (MacLean & Behnam, 2010; Marquis, Yin, & Yang, 2017) drawing on multiple data sources. In their landmark review of CSR studies drawn from 558 journal articles; and, 103 books and book chapters Aguinis and Glavas (2012) suggested that more qualitative approaches are needed to understand how and why actors influence the practice of CSR. Similarly, Bondy et al. (2012) noted that an exploratory interpretive inquiry is an appropriate to investigate CSR in relation to the

context and actors' subsequent interpretations. Qualitative research methods involve asking people questions, rather than using secondary or tertiary data sources to solve problems in the real world (Patton, 1990). Given the nature of our research question a qualitative research design was, therefore, deemed an appropriate methodological approach to understand the institutional determinants, motivations and strategies of CSR in a developing country. We conducted in-depth interviews with multiple stakeholders in location, ranging from regulators to corporate CSR managers; and, CSR promoting institutions to explore the why and how of CSR in Pakistan.

7.4.1 Data collection and sample

The participants for the study were drawn from those directly involved with CSR in managerial, regulator or member network roles. Over five months we invited 48 CSR managers, 8 regulators, and 11 members of CSR-promoting institutions via email and LinkedIn messages to participate in the study. A letter describing the purpose, process, benefits, and implications of the study accompanied the requests. In some cases, we approached the organisations directly to identify the relevant person to interview. The managers were typically selected from listed companies on the Pakistan Stock Exchange (PSX), the regulators included members of the Securities and Exchange Commission of Pakistan (SECP), managers at the PSX, and other members involved in regulatory roles at national or industry level. Finally, the CSR-promoting institutions were invited to participate, such as the Pakistan Institute of Corporate Governance (PICG), CSR Pakistan, the Pakistan Centre for Philanthropy, the UN Global Compact Pakistan and the Sustainable Development Policy Institute (SDPI). A purposeful snowball sampling technique (Biernacki & Waldorf, 1981) was then utilised. The technique helped in identifying more individuals from regulatory and CSR-promoting

institutions. Our final sample comprised 23 respondents from the array of organisations

(presented in Table 7.1).

Table 7.1 The Profiles of Participants.

Participant group	Title	Broader stakeholder group
M1	Manager – Corporate Communications and Sustainability	Telecommunication
M2	Sustainability manager	Petroleum
M3	Group Head External Relations & CSR	Technology
M4	CSR Head	Beverages
M5	CSR Manager	Multiple Industries
M6	CSR Expert	Oil Exploration
M7	Manager Compliance and Technical HR	Textile
M8	EHS & Sustainability Coordinator	Pharmaceuticals
M9	Sustainability Manager	Chemicals
M10	Assistant Manager - Sustainability	Power Generation and Distribution
M11	CSR Manager	Cement
M12	Compliance Manager	Fertilizers
M13	Head of Corporate Social Responsibility	Sugar and Allied Industries
M14	Manager External Relations	Engineering
R1	Director Corporate Social Disclosures	Regular
R2	Director Corporate Supervision	Regular
R3	Senior Research Analyst	Research and Regulatory Role
R4	Officer Human Resources	Regulator
P1	Project Coordinator	Member of CSR promoting institution
P2	Sustainability and Climate Change Consultants	Member of CSR promoting institution
P3	Project Procurement Manager	Member of CSR promoting institution
P4	CSR Consultant	Member of CSR promoting institution
P5	Director Advancing Tobacco Control Initiatives in Pakistan and Associate Editor of an Academic Journal	Member of CSR promoting institution

The veritable 'avalanche of data' produced by qualitative techniques is no longer

considered an important issue (Davis, 2010; Mason, 2010) to be resolved. The research

needed enough cases, and each with enough substance to draw generalisations (Eisenhardt, 1989) from the results. Therefore, the a priori determination of sample size in qualitative studies requires a trade-off between depth and breadth of information. We were mindful from the outset that we wanted a sample large enough to serve the purpose of our study. As it emerged similar sample sizes were used in previous CSR studies (Bondy et al., 2012; Kim et al., 2013) providing some comfort that the results were adequately robust for the purpose being pursued.

Our sample was drawn from various industries (see Table 7.1): Managers designated by 'M'; regulators 'R'; and, members of CSR-promoting institutions 'P'. Additionally, the sample organisations varied in size. To provide a holistic representation no distinction of ownership domain was made among the state-owned, privately held and publicly traded firms in order. One of the authors conducted semi-structured interviews, face-to-face in Islamabad, Lahore and Karachi. Respondents from other areas in Pakistan were interviewed via telephone or Skype calls. Interviews lasted from 45 to 76 minutes. The participants were asked to define CSR; describe their major CSR policies and practices; explain the motivation behind such CSR initiatives; and, identify factors in the institutional environment (political, sociocultural, economic & religious) in relation to CSR. A brief outline of the key themes used in the semi-structured interviews is provided in Table 7.2. Each of the broad topics were conversation starters on the institutional influences of CSR in Pakistan. The majority of the respondents completed the interviews in English while others were conducted in Urdu, with a smattering of English. All interviews were transcribed and translated and double-checked for any discrepancies. Research ethics, including anonymity were maintained in accordance with the parent institution's guidelines.

Table 7.2 Semi-Structured Interviews (Brief Outline).

Key themes	Subthemes
Understanding of CSR	Familiarity with the term
	Definition
	Stakeholders' identification
	Major CSR policies and practices
Motivation behind engaging in CSR	Recognition
	Financial performance
	Real intention for serving society
Pakistani business environment and CSR	History
	Religion
	Cultural norms, values, traditions
	MNCs CSR practices
Regulatory environment in the country	Corporate regulations in the country and their relevance

7.4.2 Analysis procedure

Both validity and reliability were considered prior to the start of data collection.

Validity was achieved by recording the interviews and taking notes during and

immediately after each to record non-verbal cues that may have affected the interview

process (Saunders, Lewis, & Thornhill, 2009; Silverman, 2015). Each interview was

then transcribed, and read against the recording to test for reliability. We used a

translation-backed-translation procedure (Brislin, 1970), hiring a bilingual expert to

provide to maintain the equivalence of meaning in the original choice of language

employed by the respondents.

A systematic process of data coding (Duriau, Reger, & Pfarrer, 2007) was used to

identify themes. Additionally, qualitative data analysis software NVivo 11 (Sinkovics

& Alfoldi, 2012) was used throughout the initial/first order data reduction. However,

the researchers themselves did the identification of the themes or patterns in the data.

We then conducted a content analysis of the transcribed interviews from each group of actors focusing on the aims of our research. In the first stage of the analysis, interview transcripts were read and reread several times to obtain a thorough understanding of the nature of the responses. The content of each the transcripts was then coded into key categories derived from the theoretical frameworks outlined above, namely CSR practices, CSR conceptualisation, CSR motivations, and institutional factors related to CSR. This coding was not always directly extractable from different parts of the interviews, but rather, required drawing quotes from across the entire interview. In the second stage of the analysis, the contents under these broad themes were broken down into subthemes that emerged from the data. These themes and related texts were maintained in NVivo. The themes identified from data gave rise to the following findings.

7.5 Results and interpretation

Our data demonstrates that understanding of CSR in the country is fraught with an array of both conceptions and misconceptions. While the majority of managers interviewed were familiar with the concept of CSR, when asked what socially responsible behaviour meant their responses produced a very narrow interpretation of what is CSR (see Table 7.3). Amongst the respondents CSR was typically defined in terms of responsibility for "community and environment", "charitable aspects" for uplifting communities in the areas where they extract resources, "ethical responsibility", "employees welfare and fair treatment", and associated with the "principle of giving back to the society".

Donations are given the highest priority by many managers (Table 7.3), of which most go to the health and education sectors. Philanthropy was the focus of an interesting discussion with two participants representing the primary regulator in the

country, "we see CSR as a structured way of philanthropy" (R1 & R2). This commentary is indicative of the early state of understanding CSR. Additionally, a manager of a large business highlighted the influence of culture and history of Pakistan on overall CSR and said that, "the corporate community in Pakistan through its philanthropic contributions and donations, has a historical background of being socially responsible" (M12). These understandings represent a very narrow view of CSR, as opposed to the more broader view developed elsewhere.

By contrast some participants seemed to have a relatively broader understanding of CSR, for example, "incorporating internal and external stakeholders"; "obligation towards people, environment, and community to bring sustainable development" and, "responsibility of a business for impacts towards society" (see Table 7.3). The respondents representing multinationals generally maintained a broad understanding of CSR. By contrast, respondents from local companies were generally not aware of the broad meaning of CSR. Overall, the concept of CSR is gaining popularity among the local businesses interviewed, albeit at a slow pace. The key CSR activities undertaken by the respondent companies are identified in Table 7.3. Finally, one of the respondents from a CSR-promoting institution observed that, "generally, businesses have either developed social foundations within their premises or they collaborate with NGOs and other external organisations to pursue CSR" (P1). This comment suggests that CSR activities are not necessarily confined to the vicinity of the companies – the C in CSR - but can be conducted throughout Pakistan courtesy of social sector development NGOs. This type of partnership helps businesses spread the benefits of CSR initiatives to a wider community.

Table 7.3 Understanding of CSR and Key Activities

Key Dimensions	Exemplary Quotes	Respondents Showing Evidence
Community & Environment	To help the community and the environment.	M3
	Caring for community and participate in community development activities.	M5
	Giving back to the society in which we operate.	M1
	To support local community in solving their problems like water supply and others.	M11
Philanthropy	Companies normally do CSR-related work in the form of donations to charity organisations.	R1 & R2
	Initiating and maintaining support to disadvantaged groups.	M1
	We do charity works to uplift communities in areas where we operate.	M13
	We assist private and public educational institutions, and basic health facilities in order to enhance quality of life.	M2
	It (CSR) is doing business with an intention to support external stakeholders, be it in terms of health, education, employment or creating a clean environment.	M7
Others	I believe CSR is a small NGO in any corporate entity.	M9
	CSR is analysing the need and taking ownership to stand for the social cause.	M6
	CSR is a business approach that aids sustainable development by delivering economic, social, and environmental benefits for all stakeholders.	M12
	Doing business in an ethical way.	P1
	CSR is a concept reminding us that we need to take care of our stakeholders in a way that does not harm them.	P2
	I adhere to the definition of CSR as 'the responsibility of enterprises for their impacts on society" as put forward by the European Commission.	R3
	CSR shows the efforts of a business towards society. These efforts can range from donating money for implementing environmentally friendly policies in the workplace.	M13

	I consider CSR as an obligation towards people, environment and area of operations. Our business has replaced the term CSR with sustainability.	P3
	We strongly believe that good deeds begin from home; we have implemented employee engagement program to support our people.	M10
	Every responsible company needs to engage in well-documented CSR designed to add value to the market and populace in which it is operating.	M14
Key Activities	We focus on health and safety of our employees, customers and contractors.	M12
	Major practices in Pakistan are building schools, basic health unit, and madrasas in the areas where these organisations operate.	P2
	Multinational organisations are working on pollution, clean energy and environment.	P1
	In Pakistan CSR is more towards philanthropic responsibility and little towards environmental sustainability and stewardship.	R3
	We follow ISO 26000 Guidelines for social responsibility. Our human resource department ensures that all employees are treated fairly, and are able to express their concerns through various forums available to them.	M1
	We hire support complexes to conduct sport activities for our employees.	M3

7.6   Summary of findings

7.6.1   Institutional level drivers of CSR

In addition to determining the institutional drivers of CSR, we also found evidence of

the internal organisational determinants. A selection of illustrative quotes from the

interview respondents are presented in Table 7.4. The results demonstrate that CSR

amongst the participants is influenced by two of the three isomorphic pressures in Pakistan – normative and mimetic. However, an interesting finding of our study is the limited evidence of regulative pressure.

The majority of the managers and CSR-promoting institutions interviewed were simply not influenced by government regulation. Evidence can be seen in the illustrative quotes from respondents M2, M3, M5, M6, M11 and P3. One of the managers ventured that he was unaware of any CSR-related regulation in the country (see M9 in Table 7.4). Some managers reported that government involvement in their businesses was a 'waste of time' and 'a deviating force' from their core business (see M1 & M15). While others highlighted the weaknesses in regulatory mechanisms and suggested structural reforms would produce better outcomes (see P3). However, the respondent regulators shifted part of the blame to businesses and part of it to themselves – highlighted by the comment, 'we are failing to sell the business-case of CSR' (R1 & R2). The regulatory pillars in Pakistan are, as identified in the introduction, weak when it comes to the institutionalisation of CSR.

The results in Table 7.4 suggest that normative influences on CSR arise from religion, culture, consumers' awareness, media and the various sections of society monitoring corporate behaviour. The majority of respondents emphasised that CSR is rooted in Islamic teachings. By contrast, some respondents provided support for CSR-promoting institutions in raising consumers' awareness and launching boycotts against what they consider irresponsible behaviour. These normative calls for more responsible behaviour also appear to arise from professionalisation and education as highlighted by Campbell (2007). Overall, we can from these results safely say that CSR in Pakistan is norms-based.

We also found support for mimetic isomorphism where businesses are found to follow the practices of MNCs and other CSR leaders in their respective industries. For instance, M1, M6, M8, M10 and P2 provided evidence that their respective businesses were trying to emulate the CSR practices of others. However, M3 suggested that the scope of CSR practices of Pakistani companies is completely different from those of MNCs in the developed world (as presented in Table 7.4). A more nuanced understanding of all three pillars of CSR institutionalisation in Pakistan, substantiated by exemplary quotes, is provided in Table 7.4.

Table 7.4 Macro-institutional Environment.

Coercive pressures (Exemplary quotes)	Normative pressures (Exemplary quotes)	Mimetic Pressures (Exemplary quotes)
Corporate regulations are not adequate, including the environmental laws. They are just copied from the developed world and not implemented yet **M5**. Organisations around the world now expect corporate entities of all shapes and forms to be socially responsible in whatever they do, CSR is a global practice **M3.** We have some CSR-related regulations but zero implementation **M11**. I would say, if you can find a business that has zero interference from the government, you are the luckiest man in the world. This is because all the time we should be spending on driving our business forward, we end up spending in regulators' offices in Islamabad **M1**. Political elites need to be clear about how they want businesses to operate in Pakistan. The political will is not there. It's the people who run that system **M15**. We need more structural changes in our corporate regulations to enhance the ease of doing business in our country. Currently, our regulatory mechanism is so weak that most of businesses run out of regulatory ambit. Much work is remaining on regulatory institutions to formulate and execute it to ensure the international best practices are being followed **P3**.	Religious, moral and cultural values are the key reasons behind socially responsible behaviour in Pakistan **M15**. CSR awareness in Pakistan is growing with time as people get more informed and see similar activities worldwide **M2**. I would attribute it to a lack of interest in corporate activity mainly due to financial non-inclusion of the middle classes. Conversely, businesses are not that concerned about consumer pressure. There is, however, a cross section of society that actively monitors and influences socially responsible behaviour, increasingly so on social media. About two years ago, a popular women's clothing brand saw reduced sales and store boycotts as backlash to the CEO's publicly misogynistic behaviour **R3**. The trends are changing now, with the increase in CSR awareness levels in the country **M4**. I think consumers have become more aware of their rights than ever before. So they make sure that businesses are doing socially responsible business **M11**. I think consumers are not aware of their rights in this country **M7**.	Multinational operating in Pakistan have an impact on CSR practices of domestic companies as socially responsible companies consider the community impact of all aspects of their operations. Domestic companies around Pakistan have also adopted formal statements of corporate values, and senior executives now started to identify social concerns as top issues on their companies' agendas **M8**. I think MNCs and other big companies operating in Pakistan influence CSR practices of domestic and small companies. With the implementation of international standards in Pakistan, local companies have also started following similar standards **P2**. CSR practices of Pakistani companies are different from elsewhere, because CSR practices of Pakistani businesses, including those of multinational companies operating in the country, are based on the provision of social services – education, healthcare, and infrastructure -that would be the government's responsibility in developed countries. In the developed world, companies are using CSR to tackle bigger issues like poverty, human rights, and climate change **M3**.

Honestly, I am not aware of any CSR related regulations
M9.

Well, I believe anything you want to put up in a country like Pakistan on CSR must come through strong
regulation. Unfortunately, we don't have adequate regulation M2.

Regulations are available but adequacy is not at the required level, mainly because of less or no involvement of stakeholders. Continuity of governments and more importantly the bureaucracy is vital in it besides extensive involvement of key stakeholders, such as, corporate sector itself, academia, research firms, and representatives of end users M6.

CSR regulations in the country are inadequate with very limited enforcement M10.

We have adequate laws but the compliance is not very high. On paper yes, the companies are talking much about CSR initiates in their reports but not enough actions in reality. I think we are struggling to sell the business case of CSR -R1 & R2.

Look, I worked in the UK, Pakistan and some European countries. I do not think I come across any government that on a regulatory framework is as regressive as ours M4.

I think teachings of Islam play an important role in influencing CSR initiatives. Calling our country as philanthropic capital of the world wouldn't be an exaggeration M9.

Islam emphasises giving back to neighbours, community and charity for the poor; CSR is simply a corporate outgrowth of those principles from 1400 years ago M13.

All religions of the world teach responsibility toward fellow men. An even more important teaching of Islam is integrity in business dealing. That is a relationship worth cultivating between companies and their stakeholders P2.

Islam teaches about taking care of the society, neighbours, animals, and the vulnerable like the old and the under privileged. That is enough reinforcement for ensuring CSR at a business level P3.

I think CSR has its roots in Pakistani culture and I must say that our culture is more supportive to CSR M1.

The local companies follow MNCs' CSR practices and reports and project it as a marketing tool also M6.

In Pakistan, if you are part of supply chain of an MNC, you'll have to meet their standards for corporate behaviour M14.

Mostly, companies copy the practices of others. Leaders in the industry are setting benchmarks for others companies to follow their footprints M1.

Locals and multinationals are in competition with each other so whatever one is doing better will give edge to that firm. In this case, multinationals having effective CSR do have edge on rivals M10.

7.6.2   Organisational level drivers of CSR

In addition to the institutional factors identified above, we found evidence that organisation-level factors play an important role in the adoption of what is considered to be CSR amongst the respondent businesses. These organisation-level factors in turn appear to partly determine why some organisations are more socially responsible than others. The respondent businesses' self-interest and outlook were found to be the primary drivers of the adoption of CSR. One of the managers noted that, "*it is believed that CSR is not an option but a way of doing business that in return benefits the business in financial and non-financial ways, and of course the future generations*" (**M5**). Similarly, another manager reported that, "*if a business does not have a thriving financial capital, it cannot effectively manage natural and social capitals*" (**M11**). Therefore, CSR is considered as a means to achieve sustainable development: businesses enhancing their performance while contributing to the care of society. This financially-led perspective of CSR considers issues of social responsibility as being subservient to financial performance in contrast to the broader CSR logics (Bondy et al., 2012; El Ghoul, Guedhami, Wang, & Kwok, 2016) of the West.

Some of the managers reported that corporate culture and organisational leadership were prominent drivers of CSR. One respondent stated that, "*our vision is empowering societies by banking the unbanked. As such, with our drive to empower societies, CSR is an integral part of our corporate culture*" (**M2**). Similarly, another manager stated that, "*besides compliance with [the] law of [the] land, our company has considered CSR inevitable for sustainable business and it is embedded in our daily routines. It gives us a social license to operate*" (**M13**). Managers also

identified leadership discretion as being a primary motivation for conducting CSR initiatives. For instance, a manager argued that, "*basically, CSR is all about the directives from the person sitting on the top. The chairman has the ultimate say in going an extra inch beyond our core business*" (**M7**). While another reported that, "*top management decides whether or not to consider social and environmental endeavours*" (**M9**). Amongst respondents it was generally believed that top management is responsible for taking on stakeholder management and corporate social performance. These findings support those of Wood, Mitchell, Agle, and Bryan (2018), albeit in the context of a developing country.

By contrast the respondents from CSR-promoting institutions held differing opinions. One of the respondents from that group stated that, "*since CSR is a voluntary activity, not many organisations take it seriously. So those who are engaged in CSR activities are doing it either due to social and environmental pressures or for improving their brand reputation*" (**P1**). Similarly, another respondent among the promoting institutions was also critical of businesses' motivation for engaging in CSR and reported that, "*the first thing business will do in Pakistan in relation to CSR is to develop a flashy CSR webpage. But when you actually ask them about what CSR initiatives they took in reality –they have nothing to say*" (**P3**). Yet another participant from this group said that, "*mostly, multinationals and few local companies are serious about CSR. The local community that lives near by the project sites of an oil and gas development company or an industrial area are the most disadvantaged groups*" (**P1**). Finally, another stated that, "*sometimes companies in Pakistan just participate in CSR activities to become prominent*" (**P4**). These specific quotes provide an interesting interpretation of the actual condition of CSR in Pakistan, supporting the view that businesses actually pay lip service to CSR

in order to enhance their reputation (Campbell, 2007). Therefore, there is the likelihood of decoupling between the CSR polices from actual practices (Khan, Lockhart, & Bathurst, 2019; Jamali, et al., 2017; MacLean & Behnam, 2010).

In summary, the findings demonstrate that CSR in Pakistan is primarily driven by a combination of organisational factors (self-interest, top management and corporate culture), and the external institutional environment (a combination of normative & mimetic pressure). Contrary to the findings of earlier studies, our results indicate that CSR regulation in Pakistan is inadequate and does not influence practice in an effective manner.

7.7 Discussion

The publication of Campbell's (2007) ground-breaking and widely acclaimed paper, *Why Would Corporations Behave In Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility*, motivated researchers to identify the antecedents of CSR across multiple contexts. Our study is one of those: the central thesis of which is how and why institutional mechanisms influence CSR, its understanding, practice and processes in emerging countries. In doing so, we contribute to neo-institutional theory by identifying internal antecedents of CSR – one of missing links in the literature to date. In trying to identify those influential external institutions we found that organisational mechanisms were shaping CSR behaviour as well. The relationship between the internal and external institutional antecedents and resultant CSR is depicted in Figure 7.1. The results of this study offer an understanding of CSR in Pakistan in particular, from which we now extend that learning to emerging countries in general.

First, our findings demonstrate that businesses in Pakistan contribute to CSR through charity and donations primarily to health and education. Additionally, there is a notable lack of consensus among respondents about the understanding and definition of CSR: what it is. These findings lend further support to studies by Dahlsrud (2008), Russo and Tencati (2009), and Sheehy (2015) all of whom argued that CSR is, at best, a contested concept. Therefore, there is a need to understand CSR more clearly, in perhaps a more broader way that considers it as an integral part of business, without such pre-determination of what it may be. Most of the respondents in this research noted that CSR is carried out by businesses in one of two ways – either by launching their own foundation or collaborating with social development NGOs or trusts, neither of which fulfil what is commonly understood to be CSR in the West, but all of which determine CSR in this context.
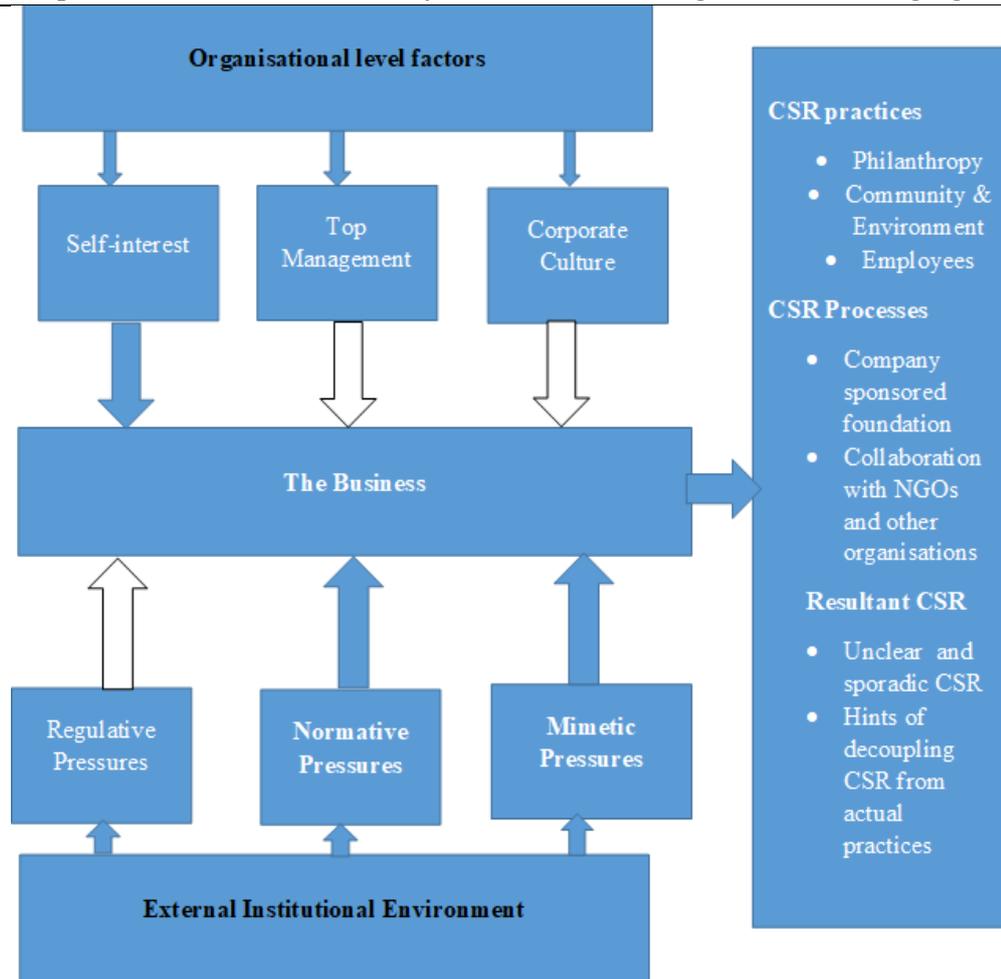
Figure 7.1 Institution-level influences on CSR in Pakistan.

7.7.1 Limited evidence of government regulation

The study also confirms support for the influence of the institutional environment on

CSR practice in Pakistan. Contrary to the majority of previous studies, where

government regulations are considered to be a primary driver of CSR practice (Marquis

& Qian, 2014; Marquis et al., 2017; Scherer & Palazzo, 2011), our findings suggest that

government's current promotion of CSR in Pakistan is mostly ineffective. Despite the

Securities and Exchange Commission of Pakistan (SECP) developing CSR guidelines in

2013 to encourage businesses to work with stakeholders in order to implement socially

responsibly strategy (Malik, 2015; SECP, 2013). Our a priori consideration of a weak

and largely ineffective regulatory environment was not challenged. The majority of our

respondents were not convinced of the impact of government regulation and related

monitoring mechanisms, some were not even aware of government regulation.

Similarly, the representatives of the CSR-promoting institutions commonly held the

view that the existing CSR regulations in Pakistan are inadequate and their relevance

needs to be revisited (as discussed in the findings section).

The government in Pakistan needs to develop new arrangements to better regulate

and enforce CSR for all businesses (state-owned & private). Despite the presence of

CSR guidelines in Pakistan, practices were found to differ significantly across the

companies surveyed here. Therefore, institutional drivers beyond the weak regulatory

and enforcement regime compel businesses to behave in a socially responsible way. At

the federal level, the government of Pakistan could also follow global trends for

encouraging more explicit CSR (Matten & Moon, 2008) through the exercise of power.

For example, major regulatory initiatives regarding CSR have been undertaken in

neighbouring India (Chatterjee & Mitra, 2017) to some effect. This result supports

Nakpodia, Adegbite, Amaeshi, and Owolabi's (2018) argument that weak regulation in

emerging countries is due to their over-reliance on corporate law, despite local

institutional conditions offering a marked contrast to business behaviour at times.

7.7.2 Evidence of normative isomorphism

CSR practices in Pakistan were found to be predominantly driven by normative pressure

(Marquis et al., 2007), an important determinant of responsible corporate behaviour.

Family traditions and religion are two factors that compel businesses in Pakistan to

indulge in philanthropic activities. In a study conducted by the Pakistan Philanthropy

Centre, (News Desk, 2018) Pakistanis were reported to donate some Rs240 billion

(more than US$2 billion) annually. Similarly, Naeem and Zaman (2016) reported that

Pakistan is ranked 7th in the world in helping strangers and 65th in donating money. This culture of generosity comes from the Islamic emphasis on giving in the form of Zakat[3], Sadaqa[4] and Fitrana[5], along with other social and moral factors that arouse the sense of compassion towards community members. This result supports that of others contending that religion, kindship-based social values and elitism inform CSR practices in Pakistan (Haq, De Clercq, Azeem, & Suhail, 2018; Khan et al., 2015; Malik, 2015; Zaman et al., 2018). Considering the deep embeddedness of charity in Pakistan, it appears incumbent on their businesses to conform to religious norms or risk damaging legitimacy. These findings are contrary to those from developed countries (Jamali & Karam, 2018) because higher proportions of people identify with a religion (Nakpodia et al., 2018) in developing countries.

CSR-promoting networks are found to be instigating its adoption in businesses and also informing consumers in Pakistan (Ali & Frynas, 2017). However, there is a reported lack of clarity on what wider consumers and employee groups actually expect (Ashraf, 2018). There appears to be a dire need for effective stakeholder activism amongst both suppliers and consumers. CSR networks in emerging countries have the noted potential to become push factors piquing the attention of suppliers, consumers and businesses themselves.

7.7.3 Evidence of mimetic isomorphism

Our study also found evidence of mimetic pressure in Pakistan. It is clear from the interviews that businesses attempt to emulate the CSR practices of either one another or

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[3] *Zakat* is an Islamic concept referring to the obligation on Muslims to pay 2.5% of their wealth to specified segments in society, particularly the poor and the destitute.

[4] *Sadaqa* means 'righteousness' and refers to the voluntary giving of alms or charity in Islam.

[5] *Fitrana* is charity given to the poor at the end of the fasting in the Islamic holy month of Ramadan.

those of MNCs. DiMaggio and Powell's (1983) mimetic isomorphism was repeatedly observed in this context; businesses responding by mimicking their community and industry peers. These findings confirm that local companies are trying to copy the CSR practices of multinationals despite these latter companies having much more advanced programmes in place. Mimetic pressure is, therefore, one explanation for the current diffusion of CSR in Pakistan.

As noted, the lack of both government involvement and consumer awareness continue to be major impediments to the further diffusion of CSR in Pakistan. Two decades ago, Mizruchi and Fein (1999) argued that where there is less coercive pressure from government there is a disproportionate focus, we argue need for normative and mimetic isomorphism. In such circumstances businesses gain legitimacy by adopting the CSR practices of powerful stakeholders within an institutional field (Greenwood, Suddaby & Hinings, 2002), if CSR policies and practices are to be fully institutionalised. Therefore, businesses may lose their moral and social legitimacy if they fail to comply with the cultural values and standards maintained by their peers.

While research on CSR and its determinants in emerging countries is now receiving attention, less has been paid to studying the socio-cultural, political and other institutional influences on organisations in these contexts. Highlighting the entire array of institutional architecture in emerging countries, a multiplicity of drivers for change, ought to help improve safety and quality standards. For those drivers extend well beyond the regulatory mechanisms to which governments typically reach. The potential outcomes are sufficiently broad that they could well begin to address the prevalent demographic and economic disparities in these countries.

7.7.4   Organisational factors

As stated in the findings section, internal institutional mechanisms are also an important determinant of socially responsible corporate behaviour. A categorisation of which was provided by Yin (2017). We confirmed the influence of corporate culture and top management on socially responsible behaviour amongst some of the respondent organisations. However, we found that financial soundness was also an internal driver of CSR. The pursuit of sound financial performance was the most important factor influencing CSR in the sample, and more broadly across Pakistan as discussed by the regulators and CSR promoters. This finding supports that of previous studies (Charlo, Moya, & Muñoz, 2017; Yin & Zhang, 2012). But the contribution being made here is that the study of both internal organisational factors and the external institutional environment is necessary to develop a holistic understanding of CSR.

Previous studies provide evidence for organisation-level variables (for example, Vitell & Singhapakdi, 2008; Wong, Ormiston & Tetlock, 2011), particularly managerial traits and behaviours influencing the adoption of CSR. There is also evidence that external institutional pressure influence managers' adoption of CSR (Ioannou & Serafeim, 2012). Business leaders can rightfully be expected to set standards for acceptable CSR behaviour (Filatotchev & Nakajima, 2014), especially in non-Western contexts (Yin, 2017). An ethical corporate (Galbreath, 2010; Kim & Park, 2011) has also been identified as creating awareness of socially responsible policies and practices among managers and employees of a business (Milne, Tregidga, & Walton, 2009). Our findings support the understanding that corporate culture is an influential part of the internal organisational environment and hence an antecedent to CSR.

Finally, our findings demonstrate that businesses in emerging countries, despite all of the well-intentioned activity are likely to decouple CSR due to the weak

institutional environment. This decoupling behaviour may be due to perceived

marketing or real tax advantages. As communication on CSR has become standardised

businesses are observed to pay it lip service. Further study is needed to explore both

how and why managers are rationalising such decoupling.

7.8 Practical implications

This study has implications for governments and businesses operating in emerging

countries (especially Pakistan). Government needs to support and encourage businesses

to participate in socially responsible behaviour while providing and upholding a clear

legal framework for CSR. There are a limited number of laws relating to CSR in

Pakistan, in contrast to say those in neighbouring countries, such as India and China.

The Pakistani government needs to craft new regulation or revisit the current ones to

make CSR a mandatory aspect of business activity nationwide. The current regulatory

mechanism mimics Western regulatory reform does not appear to meet the requirements

of the Pakistani business environment. In the absence of such strong governmental

pressure, businesses can be expected to act opportunistically and choose easily reached

(Crane & Matten, 2016) CSR initiatives that favour them more than their stakeholders

(Bondy et al., 2012; Campbell, 2007).

The government of Pakistan could also encourage stakeholders to raise awareness

of corporate and social issues. Such stakeholders may include, labour unions, NGOs,

media groups, academic institutions, trade associations, and CSR promoting institutions

among others. But while each of these stakeholders can exert external institutional

pressure, it remains government's responsibility to enforce law. The new government's

promise of structural reforms and de-politicisation of bureaucratic institutions in

Pakistan ("*PM Khan promises depoliticization of bureaucracy*", 2019) ought to result in

the promotion of CSR in the country through regulation and its subsequent

enforcement.

Businesses also need to think of CSR beyond being just a social service, that is,

philanthropy and charity. Businesses need to take comprehensive actions to incorporate

CSR throughout their respective value chains. Managers need not only address the

issues faced in their immediate environment; they must go beyond their traditional roles

and try to address broader issues, such as those of legal, economic, cultural,

technological, environmental and political dimension, in order to meet the sustainable

development promise of CSR. With the emergence of CPEC, Pakistani companies will

be even more exposed to globalisation and with that the need for more responsible

conduct.

7.9   Implications for future research

CSR in weak institutional environments presents a fertile ground for research. For

instance, the concept of CSR in Pakistan is still emerging and is engulfed with opacity

by numerous extant institutional pressures. To date, the majority of research on CSR in

Pakistan, like that in most developing countries, has used a quantitative lens to

understand the motivation for disclosure. Research exploring the institutional

environment is extraordinarily rare. Therefore, future research should build on the

contribution here to gain an even better understanding of CSR in various industrial

contexts examining the power of government and the evidence of international

influences.

Our study also highlights the influence of religion and culture on aspects of CSR.

Further studies may focus on the deeply rooted religious and cultural traditions that

could provide yet greater insight into the nuances of corporate social responsibility in

other developing countries. Finally, our study has found instances of decoupling where businesses adopt formal policies of CSR that are different from what is actually functioning. Future research needs to focus on the what, how and why of the institutional forces that drag businesses into such decoupling to determine the salience and extent of such behaviour. In so doing, the research may examine the relationship between isomorphic pressures and decoupling of CSR.

CHAPTER 8 THINKING WITH THE MOUTH: DECOUPLING THE WALK AND TALK OF CORPORATE SOCIAL RESPONSIBILITY

8.1 Overview

Businesses in developing countries use corporate social responsibility (CSR) reporting as a legitimation strategy. However, little is known about the extent and pervasiveness of the decoupling between what they report and their actual CSR performance. Motivated by the lack of originality – using Turnitin^{TM} and TinEye^{TM} – in numerous aspects of CSR reports it is argued that that decoupling is embedded within the weak institutional environment common to developing countries. Elements of decoupling in CSR reporting in Pakistan are analysed through the discourse analysis of text and related images in reports, followed by in-depth interviews with CSR managers, regulators and independent CSR-promoting institutions. Widespread decoupling, including the lack of originality and digitally manipulated images in CSR reports are found. Businesses in developing countries are facing increasing pressure for CSR reporting but their weak institutional environment enables the continued poor implementation of business policy, intentional or otherwise. This research contributes towards a better understanding of decoupling by providing novel ways of looking at CSR reports in a wholly new context, and opens new areas for future research.

Duplication: There is some duplication in terms of institutional theory as a theoretical framework and interview methods discussed in preceding chapters.

Publication details: This paper was first presented at the 7th Annual Australasian Business Ethics Network (ABEN) Conference, Melbourne, Australia. Upon review it was submitted to the Journal *of Business Research*, where it was eventually rejected after a comprehensive – albeit confusing review. After incorporating the reviewers' comments and

additional feedback from the earlier conference participants, the paper is under review with *Accounting, Organisations, and Society* journal. The journal is ranked as A* on ABDC list.

Appended as DRC 16: The Massey University's publication contribution form is appended as Appendix G.

8.2   Introduction

Two countries, Pakistan and New Zealand are at the poles Transparency International's (2017) corruption index. New Zealand is ranked first, the least corrupt country in the world and has maintained that position steadfastly for a decade or more. By contrast, Pakistan is currently ranked 117th. However, a recent study comparing the extent of CSR reporting in these two countries found that businesses in Pakistan typically report substantially more than those in New Zealand (Authors, 2018)1. At first glance this result is surprising, especially given that corruption indices are weighted towards responsible business practice. But Pakistani consumers are often unaware of the social impacts of corporate activity (Khan, 2018). These two factors, the supposed transparency of business on one hand, and the lack of awareness among consumers on the other ought to raise doubts as to the authenticity of much CSR reporting in Pakistan.

Turnitin[TM] and TinEye[TM] were used to examine the originality of annual reports from a sub-sample of six listed Pakistani companies. We found a lack of originality in numerous aspects of CSR reporting, notably in the images used, as well as a lack of originality across a broader range of business activity.

The purpose of this paper, with the lack of originality as a starting point is to explore the institutional conditions that facilitate the pervasiveness of why businesses are emulating the CSR reporting of others. In doing so, this research responds to recent calls to explore institutionalised CSR decoupling (Jamali, Lund-Thomsen, & Khara,

2017; Tashman, Marano, & Kostova, 2019), a construct that represents a situation where organisations appear to adopt various legitimate institutional rules but in practice ignore them (Dick & Coule, 2017). This allows the enterprise to claim legitimacy without disrupting its day-to-day operations.

Decoupling has received attention from scholars in relation to topics, such as greenwashing (Lyon & Maxwell, 2011; Lyon & Montgomery, 2015) and CSR hypocrisy (Cho, Laine, Roberts, & Rodrigue, 2015; Higgins, Tang, & Stubbs, 2019; Janney & Gove, 2011; Wagner, Lutz, & Weitz, 2009). However, none of these studies have highlighted the extent of copying and pasting data from other companies' reports, or broader sources in general. While the resultant reporting may allow the offending organisations to increase their legitimacy and avoid public sanctions. These businesses may then go to great lengths to prevent their decoupling being exposed to public scrutiny. While much has been reported on the phenomena of decoupling, what is known is largely descriptive. Methodological constraints (Greenwood, Jack, & Haylock, 2018; Yekini, Omoteso, & Adegbite, 2019), including limited access to key participants within the reporting organisations appear to have contributed to the current cul-de-sac of knowledge.

The paper offers two important contributions to furthering research on CSR decoupling. Firstly, we examine CSR reports to highlight the relationship of text and images with actions exploring the elements of purely symbolic behaviour. By testing for originality, the paper also provides a novel way for researchers to look at CSR reports. To the best of our knowledge neither Turnitin[TM] nor TinEye[TM] have been used in the analysis of CSR reporting to date, and rarely in business research in general.

Secondly, this study extends the institutional perspective narrative by explaining the pervasiveness for CSR behaviour to overstate results. Enhancing CSR performance

typically comes at a cost associated with capital investment in projects. These investments are especially challenging for businesses in developing countries due to a lack of financial resources. We contribute to the understanding of the institutional factors that lead to businesses reporting CSR unhampered by its implementation. In doing so, we highlight the embeddedness of decoupling within a complex institutional context where businesses deliberately overstate their CSR to legitimise themselves while avoiding the implementation of CSR as implied in their reports. Our results suggest that decoupling is deliberate, and that current assumptions of convergence do not hold in this context.

In what follows we provide an outline of the theory that underpins the empirical work. We then analyse the rhetorical strategies used in CSR reporting from the sample of companies used in the originality testing from Turnitin^{TM} and TinEye^{TM}. Through discourse (discursive) and semantic analyses, we explore the language and images of their annual reports. The results from the interviews with managers, regulators and CSR-promoting institutions are then presented, followed by a discussion of our understanding of the nature and causes of CSR decoupling in a developing country context.

8.3   Relevant theory

8.3.1   Decoupling

Organisational institutionalism comprises a broad set of perspectives developed from multiple traditions (Scott, 2014). However, these traditions share the common understanding that human actions are not ahistorical and purely rational but that human actions are historically dependent, contextually embedded, politically charged and culturally conditioned according to select universal standards (Berente & Yoo, 2012).

The rudimentary construct of institutional theory is the institution, defined as "an organised and established procedure" (Jepperson, 1991, p. 143). The term organised refers to structure, and established refers to historical roots, hence objectification and persistence of procedures over time (Berente & Yoo, 2012). Institutions can be interpreted as "symbolic systems, ways of ordering reality, and thereby rendering experience of time and space meaningful" (Friedland & Alford, 1991, p. 243). Combined with symbolic systems, institutions have critical ideational and linguistic components indispensable to providing material practices with meaning and legitimacy (Green, Li, & Nohria, 2009), suggesting that the pursuit of legitimacy the core of all institutional accounts.

The literature on neo-institutionalism focuses on macro phenomena, such as the institutional field as the level of analysis within which organisations are the smallest actor (DiMaggio & Powell, 1983). However, Bourdieu's (1977) earlier notion of habitus appears to have cautioned DiMaggio and Powell (1991) to comment that macro phenomena are actually rooted in microlevel human activities. Habitus in a specific institutional field being defined as "durable, collectively shared schemes of perception, thought and action shaped by the field and accounting for the sense of one's place and feel for the game" (Bourdieu, 1994, p. 124). Consequently, DiMaggio and Powell argued that internalised rules are chronically reproduced by people via their everyday actions which form the basis for conceptualising institutions. Therefore, institutional theory offers an appropriate lens to analyse goals, values, and perceptions that legitimise and form the basis of individual and organisational behaviour (Powell & Colyvas, 2008). Various studies have noted that organisations and individuals within the same field may not respond to institutional demands in the same way, thereby highlighting dispositional properties of the individual organisation.

Decoupling research has received less attention than that emanating from other institutional perspectives (Boxenbaum & Jonsson, 2008). However, there has been a recent surge in CSR decoupling research as institutionalists turn their attention to the microfoundations: organisational and individual factors in the process of institutionalisation.

Meyer and Rowan (1977) first observed that decoupling arises in response to two types of pressures: (1) external pressures of conformity that conflict with internal efficiency pressure; and, (2) complexity and conflicts within these external pressures for appropriate organisational goals. In response to these pressures organisations often show perfunctory conformity, while at the same time buffering their technical processes from disruption (Weaver, Trevino, & Cochran, 1999). Decoupling then becomes a business problem that differentiates between espoused theory and theory in use (Argyris, 1976) or what Clay-Williams, Hounsgaard, and Hollnagel (2015) refer to as work done and work promised.

Organisations are likely to decouple when facing a great need for legitimacy but have limited capacity to do so. Delmas and Burbano (2011) observed that the discrepancy between reporting on and the practice of CSR is due to: (a) non-market drivers (monitoring of regulators & NGOs); (b) market drivers (competitive pressures, investor and consumer demands); (c) organisation-level drivers (business characteristics, effective communication, ethical climate, resistance to organisational change); and, (d) individual-level drivers (narrow decision framework and optimistic bias). Further, a combination of complex goals, conflicting institutional pressures and internal fragmentation also contribute to decoupling (Heese, Krishnan, & Moers, 2016). These drivers result in disparity between the effort needed to enhance CSR reporting and its actual practice. Increasing performance on both of these fronts requires

investment in capacity-building of which businesses are often sceptical. The low cost of CSR reporting versus the high cost of its implementation, organisational initiatives with complex expectations, weak regulation and enforcement, lack of monitoring protocol, and lack of assurance structure are all predictors of CSR decoupling (Behnam & MacLean, 2011; Jamali et al., 2017; Tashman et al., 2019; Weaver et al., 1999). But while the determinants have been identified (Brunsson, Rasche, & Seidl, 2012) there is still limited empirical evidence, especially in the context of developing countries.

When investigating the institutional determinants of compliance in developing countries with international accountability standards Jamali (2010) identified the response of avoidance. She explained that the reporting of compliance in annual reports differs from actual performance, especially when it comes to the adoption of Anglo-American style reporting. The gap emerges because policies recommended by the local regulator do not match the realities of institutional conditions in the country in question. Similarly, Sobhan (2016) tested the overstatement of compliance with Corporate Governance Guidelines in Bangladesh, and found that Western-style regulative practices are in conflict with the 'cultural-cognitive' institutional framework. Jamali et al. (2017) examined how local cluster-based SMEs in India comply with global CSR initiatives combating child labour. They remarked that firms in developing countries are getting credit and traction by selective decoupling - focusing on high visibility CSR issues (for example, child labour) - while leaving factory workers in a condition of poverty and destitution. These studies highlight interesting cases, ones where avoidance and buffering strategies to preserve legitimacy in the eyes of external referents are deemed necessary. All of which differ immensely from those typically employed in the developed world.

The practicality of obtaining and preserving legitimacy from using a buffering

strategy depends on the level of information asymmetry that an organisation maintains

with respect to its work activity (Crilly et al., 2012). MacLean and Behnam (2010)

argued that such strategy can have negative effects on the morale of the members of

organisation. Therefore, the type and degree of decoupling changes over time, and even

initially decoupled domains may be recoupled over time (de Bree & Stoopendaal,

2018).

The primary aim of this paper is to contribute to the understanding of decoupling,

exploring it in a developing country context: One where organisations are expected to

exaggerate compliance to maintain their legitimacy. We posit that companies in

developing countries engage in systematic and collective use of decoupling, not only by

creating a gap between CSR reporting and its implementation, but also going to the

extent of copying elements of others' endeavours: justification for our expression

thinking with the mouth.

8.3.2   CSR decoupling

Corporate social responsibility (CSR) links the corporate sector with society. CSR is

broadly considered by academics and practitioners alike as businesses having a

responsibility to society (Carroll, 2008b) through accountability processes; for society

(Crouch, 2006) through identifying and rectifying negative impacts; and, that these

responsibilities enhance relationships with constituents (Barnett, 2007). Research on

CSR has come of age as interest across business, policy and society disciplines has both

increased and converged (Morsing & Spence, 2019). Consequently, businesses are

integrating socially responsible initiatives in their day-to-day operations to stay

competitive and be acknowledged positively by government and society. CSR is,

however, a Western concept (Khan, Westwood, & Boje, 2010) and courtesy of globalisation the practice of CSR is now diffusing, penetrating the developing world (Jamali & Neville, 2011). In developing countries CSR is found to be not just limited to business conduct around environmental, social and human rights domains but also includes business involvement in raising standards of living and reducing poverty (Prieto-Carrón, Lund-Thomsen, Chan, Muro, & Bhushan, 2006). However, CSR remains a controversial concept in this context. The dominant assumption is that countries with weak state capacity and where corruption is rife may not be suitable ground for CSR (Blowfield & Frynas, 2005). Therefore, the resultant CSR reports generated by companies in these weak jurisdictions may represent an overly positive rhetoric - perhaps even copy and pasted (such as, Roth, 2013) - highlighting that behaviours may be merely symbolic without the necessary accompanying substantive action that warps around the symbols being used.

CSR has three elements, or stages, which can be partitioned as sequences, "a policy part, implementation part, and an impact part" (Graafland & Smid, 2019, p. 234). Crafting CSR policy (hereafter referred to as CSR reporting) is regarded as the first major step towards a business's commitment to the environment and society. CSR reporting, now done in an array of contents and formats (Shabana, Buchholtz, & Carroll, 2017) has become the de facto law for business (KPMG, 2017) despite seldom being required to do so. In the implementation stage business makes decisions regarding the actual practice of disclosed CSR. Here CSR policies are integrated into business practices, typically through the use of sophisticated CSR programmes (Graafland & Smid, 2019). Finally, the impacts represent the realisation of CSR goals, where stakeholders of the business are benefitted.

However, there is limited understanding of whether CSR policies, as stated in company reports are actual reflections of CSR performance (UNCTAD, 2011). Businesses that may have strong CSR reporting profiles but not necessarily translate them into concrete CSR performance are involved in hypocrisy (Higgins et al., 2019), and can experience reputational damage. Conversely, in the case of New Zealand, business is expected to have high adherence to CSR without necessarily disclosing that as such. When the implementation of CSR reports proves complicated or businesses show reluctance to implement these reports for any reason, decoupling between the walk and talk of CSR is produced. But it remains expected that businesses with extensive commitment to CSR will stand by their promises.

CSR decoupling is "a symbolic strategy whereby firms overstate their CSR performance in their disclosures to strengthen their legitimacy" (Tashman et al., 2019, p. 154). That is, many businesses engage in CSR decoupling by overstating CSR in their annual and sustainability reports (Delmas & Burbano, 2011). CSR decoupling is a major form of post-adoption variation of practice as noted in the institutional research by Bromley and Powell (2012). Although the majority of the work on CSR standards originates from developed countries, the diffusion of these standards in developing countries is dependent on local conditions. Because developing countries are characterised by institutional voids, "situations where institutional arrangements that support markets are absent, weak, or fail to accomplish the role expected of them" (Mair & Marti, 2009, p. 419) ineffective CSR performance (Tashman et al., 2019) emerges. Therefore, understanding the reasons for divergence between the reporting and practice of CSR creates new avenues for research and may minimise stakeholders' scepticism about the authenticity of CSR reporting.

8.4 Methodology

8.4.1 Data sources

A priori expectations of the influences of two factors, namely, the weak institutional environment to be encountered in a developing country, and the global diffusion of CSR reporting, shaped the methodology used in this research. The need to develop and refine research methods within a specific context, especially as social issues in business diffuse (Crane, Henriques, & Husted, 2018) called for an approach that addresses the opportunities and constraints likely to be encountered in the specific research environment. Consequently, a three stage process was developed starting with secondary data by testing the originality of CSR reports. To complement these results, further data were drawn from the content analysis of these reports. Finally, primary data were gathered from either face-to-face interviews, phone or Skype calls (Deakin & Wakefield, 2014) with report developers and key stakeholders to understand from them their understanding of CSR reporting.

The originality or otherwise of the reports was tested using a combination of Turnitin[TM] and TinEye[TM]. Turnitin[TM] is a software tool introduced primarily to detect plagiarism among tertiary students. It has now become the default service globally for copy detection and is used in universities worldwide. Turnitin[TM] is owned by Advance Publications Inc., a privately owned US company headquartered in New York. The algorithm explores how central the text is to the actual argument; whether it comes from a single source or many; and, whether the source is cited or not (Introna & Hayes, 2011).

TinEye[TM] is an image identification tool developed by Idée Inc., Toronto, Canada. An image is uploaded to TinEye[TM] in a manner similar to Turnitin[TM]. The algorithm then searches the internet for similarities currently returning a search of some 38.9bn

images within 7–8 seconds. TinEye^{TM} shows where the image came from, how it has been used formerly, and whether or not the image has been manipulated since its original publication.

Having completed the originality testing we then focused on discourse analysis (Fairclough, 1992; Phillips, Lawrence, & Hardy, 2004) of text and images to understand how businesses use language to institutionalise CSR rhetoric, legitimising institutional change (Suddaby & Greenwood, 2005). We were then able to describe, interpret and explain the contextualised meanings or the contents of text and image data (Fairclough, 1992; 2001).

Discourse analysis involves the systematic study of text consisting of its production, dissemination, and consumption to assess the relationship between discourse and social reality (Phillips & Hardy, 2002). It focuses on how "socially produced ideas and objects that comprise organizations, institutions, and the social world in general are created and maintained through the relationships among discourse, text, and action" (Phillips et al.,2004, p. 637). Texts that embody discourse comprise of a variety of forms, including, written documents, verbal acts, symbols and images (Grant, Keenoy, & Oswick, 1998). These texts take material form and become accessible to others (Taylor, Cooren, Giroux, & Robichaud, 1996). Basically, organisational discourse analysis helps in understanding the process of social construction that underlies organisational reality (Phillips & Hardy, 2002; Phillips & Oswick, 2012).

We drew on Fairclough's (1992; 2001) three-dimensional discourse analysis framework to analyse both textual and visual aspects in relation to social phenomena as depicted in Figure 8.1. These dimensions are: 1) description of textual analysis (both written and spoken); 2) the process of production and reception – that is, how the texts

are produced and received by people; and, 3) the explanation of social conditions that affect production and reception of text (Leitch & Palmer, 2010). The last dimension is linked with the social, historical and cultural aspect that can affect the production and reception of texts.

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┌─────────────────────────────────────────────────────┐
│           Social conditions of production           │
│  ┌───────────────────────────────────────────────┐  │
│  │            Process of production              │  │
│  │              ┌─────────────┐                  │  │
│  │              │    Text     │                  │  │
│  │              └─────────────┘                  │  │
│  │          Process of interpretation            │  │
│  │  Interaction                                  │  │
│  └───────────────────────────────────────────────┘  │
│          Social conditions of interpretation        │
│  Context                                             │
└─────────────────────────────────────────────────────┘
```
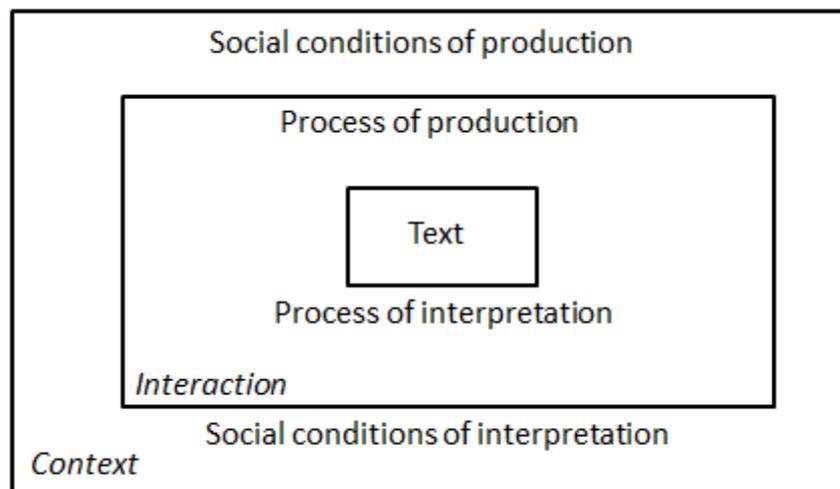
Figure 8.1 Fairclough's (2001) three-dimensions of discourse analysis.

The meaning of texts can only be determined by exploring the context within which they were produced, and in turn the cultural contexts can be understood by examining the written words (Khaire & Wadhwani, 2010). In order to demonstrate how these dimensions function, we took a closer look at how the topics related to CSR are rhetorically and textually communicated in annual reports of the selected companies. The original sample of Pakistani businesses were selected on the basis that they presented strong rhetorical elements in each of their CSR reports. The PDF versions of English language reports, comprising 1,041 pages of text and images were publicly available on the company webpages. The sample companies were drawn from different

industries, and all the companies were observed to making them publicly available on an annual basis since 2001.

Having completed both originality testing and discourse analysis we then conducted in-depth semi-structured interviews with a broader sample of CSR actors to provide a more comprehensive understanding (Flick, 2014) of realities in Pakistan. We used a purposeful snowball sampling technique for hard-to-reach respondents (Welch, Marschan-Piekkari, Penttinen, & Tahvanainen, 2002). Invitation letters to participate in the study were sent along with the information sheet through email and/or LinkedIn mail. This was done in order to allow the potential interviewee to consider areas to be discussed in advance and to ask for any clarification, if required. Semi-structured interviews were conducted with 23 respondents, and lasted between 45 and 76 minutes. Sixteen of these interviews were undertaken in the interviewees' workplaces and the remaining seven completed via phone and/or Skype calls. The interviews were conducted over a five-month period in 2018.

The interview sample comprised companies with different levels of CSR reporting and engagement. The participants were familiar with CSR practices, CSR disclosures and the Pakistani business environment. The sample mainly comprised CSR executives of the companies (such as, persons responsible for CSR engagement and corporate communication), regulators (such as, government agencies directly involved in corporate regulation in the country and their partner organisations), and CSR-promoting institutions (such as, CSR forums, NGOs and CSR standard-setting institutions). These stakeholders provided us with alternative perspectives on CSR decoupling thereby minimising the effect of social desirability bias. The regulators involved the Securities and Exchange Commission of Pakistan (SECP), the Pakistan Stock Exchange (PSX), and the Pakistan Institute of Corporate Governance (PICG).

The CSR-promoting institutions were drawn from those working for the betterment of CSR in Pakistan (for example, CSR Pakistan, UNGC local network, UNGC & CSRCP). The participants were provided full assurance of confidentiality for the fear of being identified as a whistle-blower and of subsequent retribution by organisational insiders. All the interviews were audio-recorded on the assurance of confidentiality. Most of the interviews were conducted in the English language; seven were carried out in Urdu, with a smattering of English also being used, and these were later translated and transcribed into English. The first author transcribed the interviews and cross-checked against notes taken during the interview process.

8.4.2   Data analysis

Visual research methods have gained traction in organisational studies in recent years (Höllerer, Jancsary, Meyer, & Vettori, 2013; Ray & Smith, 2011). Our starting point was the view that companies produce reports to inform and influence their stakeholders. Businesses use their own persuasive text and images to that effect.

The lack of originality of the CSR reports, outputs from Turnitin[TM] and TinEye[TM] required relatively little interpretation on behalf of the researchers. Both software produce applications output that is easy to interpret, complete with results that identify the sources used – all of which can then be replicated using other internet source engines (such as, DuckDuckGo[TM], Yahoo[TM] or Google Chrome[TM]) once the match has been found.

The discourse analysis was completed through the critical reading of text and images. At each stage the authors read all the six reports in order to gain a shared understanding of their content. We then conducted a thorough reading of each report – comprising each word, sentence, paragraph, images, tables and figures to examine the

semantic relations on each page. The authors then independently coded the rhetoric in texts and visuals (Fairclough, 1992). Based on our research objectives we focused on the ways in which various dimensions of CSR are presented rhetorically in the reports by examining what was presented, and from the perspective it was presented.

Next, the interviews were examined using qualitative content analysis (Elo & Kyngäs, 2008). This form of content analysis integrates many features of qualitative research including inductiveness, reflexivity and flexibility (Schreier, 2012; Vaismoradi, Turunen, & Bondas, 2013). The interviews were analysed and coded after an iterative process of critique and reflection. We designed a coding frame comprised of three thematic categories – main, generic and subcategory as suggested by Elo and Kyngäs). We then produced a general description of research concerns through an abstraction process (Vaismoradi et al., 2013). The abstraction process increased the likelihood of classification of codes into subcategories, generic categories, and finally the main category. All data management and the examination of relationships among categories was done using computer software NVivo 11 Pro. The first step of the process was to develop subcategories that emerge from the coding process – subcategories are the relevant comments by the participants (Crowe, Inder, & Porter, 2015). The next class of grouping that represents more generic categories followed. These generic categories emerged as a result of consolidation of the subcategories. Finally, the grouping of generic categories, from which a final (main) category emerges, completed the abstraction process. This main category helped answer the research question. In order to identify possible inconsistencies, trends and prevalent issues, data were analysed both within and across categories. To ensure that all statements were understood and applied appropriately in their original context, data were constantly revisited throughout the analyses.

8.5   Results and Findings

8.5.1   The analysis of CSR reports

The information pattern was broadly consistent in each of the reports, each containing an address from the company chairman; corporate information; value added and its distribution; statement of compliance with the code of corporate governance; human resource; health, safety and environment (HSE); stakeholder engagement and investor relations; financial highlights; sustainability performance; CEO letters; auditors' report; future projection; and, a list of board members. All parts were included in the analysis. The findings reflect a number of common characteristics. Each report shared the characteristic of sustainability reporting, replicating detailed visual and textual information on businesses' green products and services. We found that the use of photographic images and accompanying text sometimes overwhelmed spatially the financial graphics.

On all aspects of CSR each of the six reports were found to contain entirely original statements. However, other results that emerged from submitting the reports to Turnitin^{TM} and TinEye^{TM} provide an interesting insight into Pakistan's broader institutional environment. Firstly, one corporation was observed to have published value statements sourced entirely from Wiseman, McKeown, and Covey's (2010) book *Multipliers: How the Best Leaders Make Everyone Smarter*. Secondly, two corporations used identical templates for reporting their statements of business conduct and ethics. Thirdly, and of greatest concern, was that one corporation, held in high regard both nationally and internationally, was found to have an auditor's report identical to that of a company in the United Arab Emirates; a governance code cut and pasted from the Pakistan Credit Guarantee Company (PCGC); and, other elements of their report in common with yet another listed company in Pakistan. Similarly, the use

of TinEyeTM revealed that images in these reports were not always original. The worst case of the lack of originality was an image found to be sourced from Shutterstock and digitally manipulated to contain a local element.

CSR reports are a complex genre often comprising multiple supplementary parts (Bondi & Yu, 2019). However, the extensive data in the CSR reports analysed provided very little information regarding the context linked with the text. For example, one of the companies provided figures on reduction in carbon emissions, but there was no information on policy commitments, innovations, and investment initiatives in this regard. Moreover, it was not clear what these figures meant in relation to the business's strategy. Additionally, no comparison of decarbonisation over time was presented. Without such information organisations are unable to demonstrate to stakeholders that their activities are legitimate. These issues leave organisations conveniently open to maintain discrepancies between their reporting and their actions thereby indulging in decoupling. We present three examples to support this argument. Exhibit 8.1 is an image of a crop showing a green, flower-filled field, a farmer with a shovel on his shoulder, a clear sky, trees, sun rising, and the logo of the WWF Green Office Program. We might interpret this as a message about the beauty and value of nature. Altogether, the image succinctly suggests a harmonious relationship between the life of a Pakistani farmer and the natural environment. A simple semiotic reading reveals that the company ought to have a broad environmental management and wild animal welfare system to which it complies. However, there is no mention throughout the report of how the company does that – including objectives, activities, and impacts of the WWF Green Office Program. Furthermore, the WWF has very little or nothing to do with production agriculture except perhaps where de-vegetation/de-forestation occurs – which is not what is being represented here.
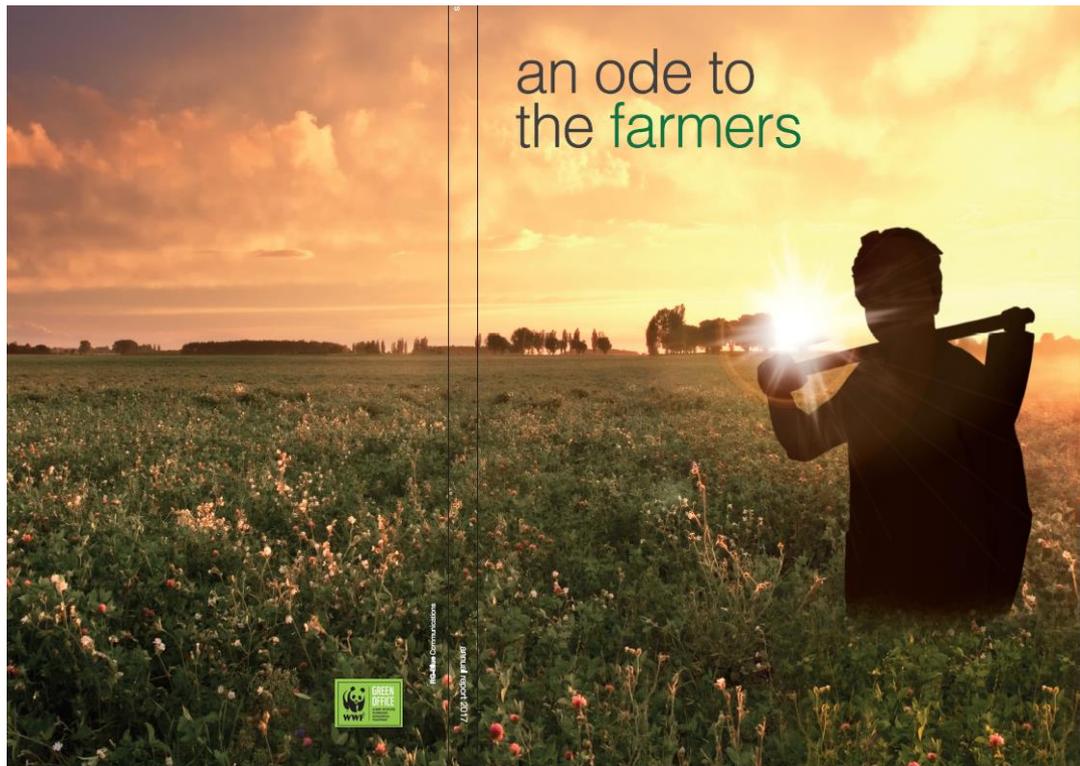
Exhibit 8.1 An ode to misrepresentation.

The text in the photo "an ode to the farmers" signifies the company's tribute to their farmers. The image depicts a working farmer, and an appreciation of their hard work by using the poetic expression an ode to the farmers. However, a farmer is an unfortunate figure in Pakistan. On the one hand, the government considers farmers second-class citizens courtesy of the increasing power that urban dwellers have on the formulation of policies and resource allocation. On the other hand, large corporations treat farmers simply as a source of raw material (Raja, 2018). Corporate landlords do not represent the farming community which is more typically living hand-to-mouth.

A closer inspection reveals that the farmer's silhouette is digitally manipulated to produce the moment of reflection being shared. The silhouette represents the overlapped discourse to enforce the notion of "seeing is believing", yet the distortion created by superimposing an image, the figure and ground are not in dialogue to enforce

the notion that the reader ought to believe what is seen, highlights the discrepancy in both rhetoric and intention. TinEyeTM revealed that the background image was originally posted on May 15, 2013 by www.shutterstock.com and is now accessible from seven locations on the web. The company first used the image in its 2017 report. The manufactured image is a façade. Throughout the report the organisation misleads stakeholders' attention by providing an abundance of imagery on environmental and social issues, for which no action is reported to be taken.

The company is presenting the impression that farmer wellbeing is of importance and is being acted upon, the reader supposedly being unable to identify the actual symbology carrying the cultural or connoted message revealed through Greenwood et al.'s (2019) rhetorical analysis. The image is an excellent example of the widespread CSR decoupling in Pakistan. The image tries to persuade readers of a company committed to a sustainable course of action. However, anyone with contextual knowledge (Greenwood et al.) of Pakistan would know that the fertilisers are sold by the company to landowners, who then have peasant or tenant farmers working their fields. The Pakistani farmer does not own the land they work and is not the company's buyer. Thus, the company's own expression, "an ode to the farmers" ought to raise doubt. Does the company care about farm workers? If yes, why is the worker's photo not an original? Such inconsistency casts more than doubt over the validity of information provided in the report.

Exhibit 8.2 is taken from the CSR report of a chemical industry company. The image suggests the sustainable development plan of the company, not only highlighting growth but also a focus on people and the planet. This image is pixilated, by lessening the intensity of colours to foster the impression of a green forest. The use of green and the presence of trees suggests a harmonious relationship between business and nature.

The text in relation to the image portrays the company as forward thinking, a connotation seen as desirable. For example, the expression "the power to shape a sustainable future" tries to persuade stakeholders of a focus on sustainability. Because photographs are transparent representations of reality (Rose, 2012), and given the lack of information on the company's actual performance (obviously an important component of sustainability performance), the dominant purpose of the image in Exhibit 8.2 is to convince the company's external stakeholders.

Exhibit 8.2 Shaping thoughts not actions.

The company operates in an environmentally sensitive industry (chemicals), therefore, it can be expected to employ legitimation strategies by using a sustainability narrative (Bansal & DesJardine, 2014): the ceremonial allegiance to the greater good interpreted

through Greenwood et al.'s (2019) content analysis. Pakistan currently ranks 124th out of 149th on environmental quality as per the 2019 Social Progress Index (SPI), issues related to climate change and the natural environment are in marked contrast to reality. The TinEyeTM search revealed that this image has also appeared in various forms on the internet and at different places over time, it is not the company's own work. It was first placed on www.mymodernmet.com, on January 17, 2014 (and has also been used by a Lebanese company) and provides further evidence of decoupling.

The image at Exhibit 8.3, unlike Exhibits 8.1 and 8.2, was found to be unique. It is extracted from a telecommunication company's CSR report, and utilises facial expressions and body language to depict satisfaction amongst Pakistani consumers (as highlighted by traditional/regional attire). The caption, "connecting the nation since 1947" complements the image, projecting inclusivity. However, women in Pakistan continue to face significant barriers to equality, the vast majority are unpaid workers in the home. The company's report provides no commentary on activity undertaken to achieve inclusion, relying on a composed studio photo to imply this end to their stakeholders. So while the company emphasises inclusion, content analysis of the CSR report revealed no data match between text and the image used.

Exhibit 8.3 Stakeholders in the studio.

The three exhibits support the argument that rhetoric (the talk of CSR) at best precedes practice (the walk). The creation of imagery promoting CSR talk over action – confirms decoupling, leading to the need to explore why CSR reporting is used to enhance legitimacy.

8.5.2   Interview analyses

Interview responses from the three sub-sets of respondents (CSR/sustainability managers, regulators, and members of CSR-promoting institutions) reveal their awareness of decoupling. The majority of the CSR-promoting institutions and some managers presented a cynical view of CSR in Pakistan. They consistently maintained that many businesses narrate their CSR story to achieve positive social evaluations. For example, one senior manager stated that:

> Businesses see CSR as a formality that has to be completed to show the masses, and media that they are very good caretaker of environment and society. Very few are actually sincere to the wide range of stakeholders (CSR-promoting institution 1).

Many of the managers interviewed acknowledged and supported the deliberate gap between the lip service provided in CSR reports and their company practices. The quote highlights the current state of CSR: the pressure on companies to dress up CSR as a business discipline, and the benefits expected without actual engagement and investment based on fake disclosures. Managers also hinted at the need for decoupling driven by competitive pressures by taking only symbolic measures so that they do not lag behind the competition. For instance, one manager detailed CSR as follows:

> Multinationals operating in Pakistan use a more integrated CSR approach that is embedded in all aspects of businesses. They do more, and they do it better. Their CSR activities influence the local companies in the country. As a result, senior executives now have started to identify social concerns as top issues on their companies' agendas in their formal statements of corporate values (Manager 6).

The quote suggests that multinational corporations (MNCs) not only have a more formalised CSR structure, but also they may implement this structure without considering whether they are meeting internal needs. However, local companies in Pakistan show a strong tendency to emulate the social and environmental policies of MNCs. Probing further, a representative from a CSR-promoting institution observed

that Pakistani businesses face little pressure from consumers actively monitoring their conduct. The interviewee considered the lack of consumer awareness in Pakistan a serious issue:

> Consumers' pressures and labour unions are very weak in Pakistan. There is, however, a cross section of society that recently started to monitor, and influences corporate behaviour, increasingly so on social media. About two years ago, a popular women's clothing brand (Khaadi) saw reduced sales and store boycotts as backlash to the CEO's publicly misogynistic behaviour (CSR-promoting institution 4).

The interviewee pointed to a recent corporate scandal by a well-known international apparel brand in Pakistan (see, Farooq, 2017; Ashraf, 2018). Businesses need to understand how they are contributing to, and maintaining equality in society in financial and non-financial ways (Bapuji, Ertug, & Shaw, 2019). Similarly, another respondent mentioned the lack of consumer protection laws as the main reasons behind the debilitating CSR situation in Pakistan, stating that:

> I believe mostly businesses get away with irresponsible behaviour because of two reasons. Firstly, there are not many consumer protection laws in the country. Secondly, people are not generally aware about CSR-related issues (CSR-promoting institution 2).

This quote attributes the irresponsible corporate behaviour to the absence of government regulation and the lack of confidence in business self-regulation to tackle

social and environmental issues. Along the same line, a regulator and a manager

explained the current situation of CSR regulation, respectively, as follows:

> In 2016, our organisation (PICG) started to develop a roadmap for the
>
> formation of a National CSR Consultative Forum upon the request of
>
> Securities and Exchange Commission of Pakistan (SECP). We have
>
> submitted the draft to the Commission. In engaging Pakistan Institute of
>
> Corporate Governance (PICG), the objective of the Commission is to
>
> create a multi-stakeholder body that would drive CSR policy in the
>
> country, and formulate a national CSR strategy (Regulator 3).

And,

> The voluntary 'Guidelines for Corporate Social Responsibility' by the
>
> Securities and Exchange Commission of Pakistan (SECP) is struggling
>
> to make CSR congruent amongst companies. Government is playing a
>
> passive role. (Manager 14).

Other managers mentioned industry specific regulations, which may be the reason

behind more CSR reporting in environmentally sensitive industries. For instance, a

manager from the petroleum industry noted:

> As far as the Petroleum Industry is concerned, it is heavily regulated by the
>
> Directorate General Petroleum Concessions (DGPC) Guidelines, issued by
>
> the Ministry of Petroleum. All Exploration and Petroleum (E&P) companies
>
> follow those guidelines in letter and spirit. Though many companies have
>
> reservations over the guidelines, yet they are bound to follow it (Manager 5).

Governments have become more and more involved in CSR initiatives either through

soft law (comply or explain) that encourages companies to pursue CSR initiatives or

through a traditional mandatory regulation (comply or die) of business (Knudsen, 2018;

Nakpodia, Adegbite, Amaeshi, & Owolabi, 2018). As each country differs in social

context, the regulatory approach in a country is informed by the subtleties and nuances

of the institutional environment of that country. Having said that, the domestic

institutional context contributes to shaping the specific form of corporate regulation, the

current regulatory regime in Pakistan is heavily influenced from the West (Munir &

Naqvi, 2017). Consequently, CSR-related regulation is not perceived to be convincing

enough to push businesses to behave in socially responsible ways. For example, one of

the respondents noted:

> In countries where corruption is widespread, CSR should come
>
> through strong regulation. If you leave it to the market (self-
>
> regulation), it is not going to happen. Therefore, in my opinion
>
> there is a need to have a strong regulatory environment in order to
>
> have authentic CSR (CSR-promoting institution 3).

The quote highlights the weaknesses of the current regulatory and enforcement

mechanism. Some businesses work to disrupt the regulatory demands by undermining

the core assumption through continued malpractice. We found alleged corruption to be

a common occurrence, and businesses attempt to bribe government officials.

Surprisingly, the regulatory bodies are helpless when dealing with influential

businesspersons. For example, a regulator stated that:

Issues such as corruption; political influence; influential citizens; exit through protection, and connection are rampant in our corporate environment. It has changed its method and way of influence but remains at large. Like corruption, political influence, safe exit to those who has grossly mismanaged and had hands in major corrupt practices. Lack of compliance and enforcement, old methodology of conducting audits, lack of effective resource in terms of personnel, and technology all pervasive in regulatory institutions (Regulator 4).

This quote represents the plight of the overall institutional environment where corruption is pervasive. Ultimately, the lack of accountability and transparency may lead to poor governance and corruption (Gjølberg, 2009). Therefore, adopting corporate regulation that is best suited to less corrupt contexts (the western world) may be ineffective in a country where corruption is rampant. Surprisingly, some of the managers depicted a very cynical picture of their CSR reporting and their actual engagement with social and environmental activities. Two company CSR managers reported that:

People are not much concerned about socially responsible activities of corporates because they see it as an eyewash for businesses "presumed malpractices" (Manager 5).

Under the guise of CSR disclosures, companies are becoming pseudo socially responsible (Manager 11).

These quotes raise a serious question over the authenticity of CSR disclosures. Similarly, a regulator stated that:

> Companies are very clever with their words. Formal statements (CSR reporting) comes from the top level, and sometimes they are not as good as they pretend to be (Regulator 1).

As a whole, the triangulation of data created by Turnitin^{TM} and TinEye^{TM}, discourse analysis of company reports, and the primary data obtained through interviews suggest that the non-enabling - weak - institutional context of Pakistan shields business from the need to implement their supposed CSR programmes: the liberty of reporting on CSR without implementing a programme to any affect. They have decoupled the walk from the talk of corporate social responsibility: thinking with the mouth. An extended framework of CSR decoupling emerges from the discussion in the following section.

8.6   Discussion, implications and conclusion

The study was first motivated by the lack of originality in a sample of CSR reports produced by Pakistani publicly listed companies. From that data we set out to further understand the dynamics of decoupling CSR, especially in a context where organisations were expected to exaggerate compliance to maintain their legitimacy. We found that the companies we sampled, exposed to a weak institutional framework, engage in systematic and collective use of decoupling, creating a gap between their CSR reporting and implementation; and, will go to extraordinary endeavours to do so.

While we are not the first researchers to argue that actors in developing countries experience different pressures from their prevailing institutions than those in developed countries (Jamali & Karam, 2016; Marquis & Qian, 2014), to our knowledge this is the first attempt to investigate CSR reports, beginning with their originality as identified by Turnitin^TM and TinEye^TM. The subsequent discourse analysis found further limitations in the information reported from manufactured imaging to gender and cultural inclusivity in the absence of any related strategy to that effect. Additionally, we found a lack of contextual information provided to substantiate the reported claims. For instance, one of the businesses claimed to be reducing carbon emissions, however, there was no information on how they were achieving this end. Similar inconsistencies were found throughout the reports studied. It is easy to simply dismiss the reports as "CSR-washing" (Pope & Wæraas, 2016) to enhance the company's legitimacy (Castelló & Lozano, 2011), however, it is the notable decoupling (Meyer & Rowan, 1977) now in the form of deliberate symbolic behaviours that is essential in the pursuit of business legitimacy.

With CSR disclosures becoming widespread, one of the mounting issues is growing consumer and other stakeholder scepticism about the authenticity of these disclosures and the mounting anger with which they are then viewed. However, the generation of text and visuals on CSR is well embedded, the prevailing weak institutional environment (Phillips et al., 2004) provides an invitation to deliberately mislead locally.

The CSR reports ought to provoke yet more questions from stakeholders: What would make an organisation go to the length of using manufactured images (for example, Exhibit 1) in their reports? One explanation could be that businesses face conflicting pressure from disputing parties (internal and external stakeholders) in

relation to CSR. For example, CSR could be positioned as a means to increase profitability and enhance reputation for shareholders. For external stakeholders, CSR could be seen as a means of fulfilling the business's social and environmental responsibility. Consequently, business indulges in myth (Bathurst & Monin, 2010) making that achieves a form of reconciliation between internal and external stakeholder demands.

Findings from the interviews provide evidence of the pervasiveness of CSR decoupling in Pakistan. Businesses were found to engage in decoupling because of the complex role played by the broader institutional environment. The global diffusion of CSR reporting standards; role modelling of industry leaders; media outlook; and, mocking reciprocation all pressure the need for CSR reporting in Pakistan that, at times, results in the ridiculous manufacture of images and texts. The practice of CSR is, in turn, limited by factors, such as stakeholders' dearth of knowledge on CSR; the lack of societal monitoring; inappropriate regulation, compliance and enforcement issues; a lack of trust in industry self-regulation; widespread corruption; influential citizens; and, unstable political dynamics. These conflicting pressures converge to create a responsibility-free space (Donaldson & Dunfee, 1994) that accentuates the agentic role defining the level and type of CSR engagement in developing countries (Jamali & Karam, 2016). Earlier research suggests that these pressures emanate from institutional complexity - organisations' exposure to an environment with a multiplicity of institutional logics (Greenwood et al., 2011; Smets & Jarzabkowski, 2013; Waeger & Weber, 2019). We synthesise the findings in a new model (Figure 8.2), where organisations within a weak institutional environment try to exploit the weaknesses, and rationalise non-conformance by maintaining a gap between CSR statements and real

performance. An outcome achieved because businesses face complex goals, conflicting institutional demands, and internal organisational fragmentations.
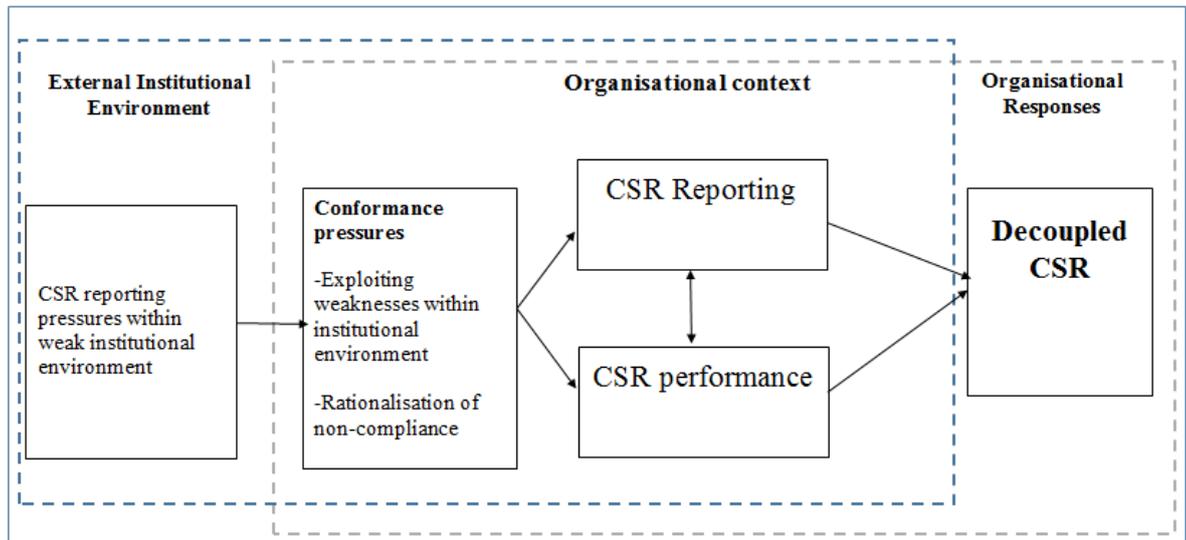
Figure 8.2 Extended framework of CSR decoupling.

In a weak institutional environment, businesses circumvent regulation and shape CSR to benefit themselves. Concurrently, regulators face the conflicting pressures of formulating regulation and upholding compliance through enforcement (Heese et al., 2016). All of which occurs where the sum of the institutional effects results in decoupling. One of the unintended consequences of these pressures is that regulators favour some types of organisations (Scott, 2014), in this study large companies over others, and appear to measure their success accordingly. That is, large businesses are exceptionally proficient at discovering legitimate methods of evading regulatory control by expertly applying creative compliance (Nwoke, 2019). As indicated by the respondents in this study the current regulatory setup in Pakistan simply doesn't have the capability to promote CSR (such as, Khan, Lew, & Park, 2015). Companies in Pakistan adopt CSR reporting to as a legitimisation strategy in the absence of any real

regulatory pressure. Consequently, our respondents proposed reforms to the current

institutional and regulatory regime to make them more relevant, the enhancement

required to engender the desired outcomes (Nakpodia et al., 2018), as opposed to

tokenism via rhetoric.

8.7 Contributions

Much of earlier CSR research focused on advancing methods and methodologies

research (for example, Crane, Henriques, & Husted, 2018; Hahn, Figge, Aragón-Correa,

& Sharma, 2017). Researchers are now focusing more on developing novel

methodologies for assessing the quality of CSR communication (for example,

Greenwood et al., 2018; Yekini et al., 2019). Despite these attempts, there remains a

lack of clarity regarding the best way of analyse CSR reports (Crane & Glozer, 2016).

We contribute to CSR research methodology by introducing and demonstrating the use

of Turnitin^{TM} and TinEye^{TM} to highlight the dark sides of the institutional environment

that are rationalised through manufactured texts and images. With the use of digital

technology it is easier than ever before for a business to portray itself visually in

whatever way it likes, potentially making an even bigger mockery of CSR than that

from dishonest statements. The use of Turnitin^{TM} in the corporate reporting

environment (Abraham & Shrives, 2014) was considered to be both a simple and

efficient means of exploring originality, and accords some dignity to the corporates

involved where originality was found. The two platforms we used provided more

evidence of decoupling, and suggest a new way of classifying unreal information in

CSR reports.

Our theoretical contribution is to extend the existing knowledge about

institutional perspectives by providing an enhanced understanding of the factors that

result in decoupling. Enhancing CSR performance comes at a cost associated with capital investment in CSR projects. These investments are especially challenging for businesses that originate from developing countries due to their lack of financial resources. We argue that the key problem is that institutional pressures are sufficient for companies to overstate claims on CSR but not enough to follow through or be held accountable for not following through on these claims. Businesses in weak institutional contexts exhibit dangerously low rates of compliance with the regulations aimed at protecting stakeholders from the negative impacts of their operations (Malesky & Taussig, 2017).

Our augmented framework (Figure 8.2) depicts the chain from external CSR pressures being imported through the organisational context, passing through three different stages. The framework suggests that organisations may come up with competing internal approaches in response to institutional pressures.

Adopting policies and implementation measures because of these pressures by the establishment of formal structures that may be decoupled from an organisation's core practices in relation to CSR. It is simply easier for businesses to justify non-conformance and rationalise it in a context with low levels of regulation because the pressures are perceived to be competing with the pursuit of technical efficiencies. Therefore, "under field conditions of ambiguous conflicting expectations, coupled with limited coercive isomorphism, as typically characteristic of the developing world, there is a significant window for hybridised CSR expressions and selective decoupling along specific dimensions of CSR" (Jamali et al., 2017, p. 487). In such situations businesses report CSR to achieve legitimacy but what is being reported should not necessarily be expected to be translated into action.

8.8   Policy implications and directions for future research

Our study has implications for both business and regulators seeking to promote CSR performance without producing decoupling. The CSR reports released by the sample companies were both incomplete and distorted. The reports were, at times, deliberately misleading. Rather than providing unrealistic reports to buffer the conflicting institutional demands, managers need to show greater commitment to reporting relevant and authentic CSR. Therefore, decoupling could be reduced by reporting on topics that are of relevance to stakeholders' concerns and being enacted upon by the business involved. Better knowledge regarding the kind of CSR management that leads to actual CSR implementation will improve the effectiveness and relevance of CSR efforts (Wang, Tong, Takeuchi, & George, 2016) resulting in a positive and accurate perception of a business' CSR policies and practices.

Regulators must also play their role in reducing CSR decoupling. Governments need to set up CSR-related public regulation that is appropriate to their particular institutional contexts (Knudsen, 2018), as opposed to adopting that from elsewhere. In doing so regulators could create opportunities for broader stakeholder engagement and dialogue, with government respecting the challenges faced by business and recognising their interests before drafting and enforcing regulations (Malesky & Taussig, 2017). Regulation unilaterally enacted by a government is not expected to bring improvement in CSR. The monitoring of businesses' compliance with CSR reporting standards is also incumbent on social activism to achieve regulatory goals. The current CSR Reporting Guidelines in Pakistan (SECP, 2013, 2017) seem to be ineffective. They have created an environment of CSR reporting – and little further. The guidelines must focus on what is reported; how it is reported; and, the purpose and scope of reporting (Higgins et al., 2019). Therefore, regulators need a mix of both mandatory and soft law

that encourages companies to reduce inconsistencies and inaccuracies in the information they report. Such initiatives may narrow the gap between CSR reports and actual practice. As it is today there is complete disregard for the pathway (Schoeneborn, Morsing, & Crane, 2019) to recouple because the institutional environment is so weak, removing any need for the convergence vividly prescribed.

The article opens various avenues to further research on unpacking institutionalised decoupling in developing countries. Surprisingly, CSR decoupling in weak institutional environments has been treated only tangentially in the literature. We have highlighted that CSR decoupling in the form of manufactured photos and texts appears to be sustained over time. Therefore, future studies can examine the rhetorical effort made by companies in the pursuit of legitimacy. This could potentially be done by examining CSR disclosures in annual and sustainability reports longitudinally with a larger sample. Ideally, this can be done by uncovering the utilisation of photographs and texts depicting fake CSR information in reports, and the possible motives behind their use. Moreover, our study also highlighted some complex dynamics between the regulators and the businesses in developing countries. Therefore, future research may look at the role of regulators' behaviour and organisational responses to industry-specific regulations. In doing so, the future research will not only highlight organisational decoupling in response to regulation but also regulator decoupling as suggested by our findings. Finally, future research can build on discourse analysis to further highlight questions such as; who generated the text? What is the social, political context of the text and images related to CSR? How were these texts delivered? What are the syntactical elements that make the texts compelling, or not? All these questions will explore deeper the deeper contextualisation of the texts, and exploring the CSR decoupling that those texts reveal.

CHAPTER 9 DISCUSSIONS, CONCLUSION AND FUTURE RESEARCH DIRECTIONS

9.1 Overview

Aim of the paper: This paper draws together the published works in this research, presenting a synthesis of the contributions made to knowledge both theoretical and methodological. Additionally, the paper highlights practical implications for both policy makers and the businesses. Implications for future research are also provided in this chapter.

Duplication: There may be some overlap in terms of contributions made in each of the preceding published papers. This chapter identifies and discusses the overall contribution to knowledge made from this research.

Publication details: A short version of this paper has been accepted for presentation at the European Group of Organisational Studies conference in July 2020, in Hamburg, Germany. Due to the global pandemic, the conference is going to be held virtually.

Appended as DRC 16: Massey University's publication contribution form is included as Appendix G.

9.2 Introduction

The aim of this research was to understand why decoupling occurred in a developing country of significance. To understand that research, however, required the review of CSR literature, mostly produced in the Western world; and the detailed exploration and interpretation of institutions within the specific context of Pakistan. CSR in the management and organisational literature remains a concept dominated by Western connotations, frames and nuances (Jamali & Karam, 2018; Pisani, Kourula, Kolk, & Meijer, 2017). In contrast, the historical, political and socioeconomic peculiarities of a

developing country was expected to provide a unique avenue for studying CSR policies and practices. Further, the a priori expectation of decoupling encountered at the outset; remained present throughout; and, was eventually explained through the multi-modal inquiry into the institutions or lack thereof, in Pakistan. The aim of this concluding chapter is to draw together the published works; to synthesise the contributions made to knowledge from research; and to identify the implications on policy and practice in a weak institutional environment. Assuming of course that the objective of aligning the walk with the talk is more than simply a forlorn hope.

9.3   Summary of overall findings

Overall, this chapter is based on a peer-reviewed conference to be delivered at European Group of Organisational Studies (EGOS) in July 2020. The aim of this paper was to elaborate on the problem statement with which I started the thesis (and all the paper contained in here in general), to explore the multiple ways through which businesses seek legitimacy by maintaining a gap between supposed organisational commitment and actual socially responsible behaviour. Different chapters of this thesis were based on exploration of this main objective. A brief summary of each research question is provided in the following section.

For the pursuit of exploring the above-mentioned objective Chapter Two focused on the theoretical foundation of this thesis and reviewed relevant literature on why institutional theory provided an appropriate theoretical background for studying CSR decoupling in relation to institutional environment, and Chapter Three provided the provided the methodological framework for this inquiry. Chapter Four and Chapter Five focused on understanding institutional specificities that shape CSR policies and practices in a developed and developing country, such as New Zealand and Pakistan

respectively. Through these two papers the research shows that businesses will continue to report more in a developing country despite the weak institutional environment within which they are embedded. Chapter Four addressed the question of *how is CSR understood in New Zealand*? This was done by detailing how businesses and society see broader environmental and social issues. This chapter demonstrated that CSR is well-institutionalised in the country, whereby businesses recognise that effective stakeholder management ensures technical efficiency. Although there are no specific CSR regulations in New Zealand, the role of business in society has become a prominent domain among a wide array of stakeholders.

Chapter Four addressed the question of *what role do institutional and cultural factors play in adopting CSR reporting with New Zealand and Pakistan?* The results presented in this chapter, through the ex-post content analysis of annual reports demonstrated that the sample companies from Pakistan disclose more CSR than those in New Zealand. This finding prompted further exploration at an organisational and country level of the factors that foster this corporate behaviour among Pakistani businesses. This exploration was warranted because CSR is a novel approach to management practices that emerged in United States of America and was originally conceived as a voluntary strategic approach by business to prevent further regulation of the free markets (de Bakker, Matten, Spence, & Wickert, 2020). The current Western conception of CSR is one of managers enacting CSR reporting and activities, widely regarded as being a *good thing*. However, the *embeddedness* of such managerial policies and practices are now largely overlooked. Ignoring the historical, political and socio-economic context when initiating these policies and practices in a developing country context was anticipated to result in decoupling. Therefore, rendering CSR as a means of legitimising business in developing countries with neither consideration of the

context nor practical relevance, will have problematic consequences. Institutional theory, especially the means through which adoption occurs was useful in understanding the CSR reporting and practices between New Zeeland and Pakistan.

The third research question focused on *how and to what extent CSR reporting is institutionalised within Pakistani businesses?* The results of the mixed-methods study first highlighted that organisational-level determinants such as industry type, CSR promoting institutions, corporate regulation, business size and presence of multinationals influence the extent of CSR reporting. However, the interviews with managers highlighted that accountability and authenticity in CSR reporting remained a problematic issue in Pakistan. These issues are subjected to lack of businesses' commitment, low external monitoring and enforcement mechanism, and lack of time and resources.

The fourth research question concerned *why and how do institutional arrangements influence the practice of CSR in Pakistan?* In trying to identify the institutional determinants of CSR practice, it was found that internal organisational factors play a very important role in Pakistan. Businesses in Pakistan are influenced mostly by mimetic and normative pressures to conduct CSR. However, coercive or regulative pressures are found to be bleak. In addition, to these external institutional factors, organisational-level variables such as self-interests of businesses also influence the practice of CSR.

The final research question was, *how pervasive and entrenched CSR decoupling is between what businesses report and their actual performance.* This question was designed to understand and explain decoupling between CSR disclosures and actual practice in the Pakistani context. Businesses are likely to decouple when contradictory demands for conformity exist in the institutional environment (Seo & Creed, 2002).

There is a lack of theoretical or empirical evidence explaining when and where decoupling is expected to be noticed, despite, the increasing importance of the concept - institutional decoupling. Additionally, despite the dramatic increase in CSR disclosure over the years, the ever-increasing corporate abuses and infringements in Pakistan have not been given much attention in management and organisational literature. The results of this analysis suggested that CSR decoupling is a prevalent phenomenon in the country.

9.4   Contributions

9.4.1   Theoretical contributions

This research makes several contributions to the emerging scholarship on the diffusion of CSR reporting and practice from the West to the developing countries in the absence of consideration of the local context (Jamali & Karam, 2018; Khan & Lund-Thomsen, 2011; Khan, Munir, & Willmott, 2007). The results of the comparative early study presented as chapter four that Pakistani businesses report more CSR than those in New Zealand (Khan et al., 2018b), were both surprising and intriguing. In weak institutional environments (where national regulators are unable to promote effective regulation, monitoring and consensus among stakeholders), the level of CSR reporting was not expected to be high. Companies across both countries were observed to prioritise stakeholders differently, largely due to the variations in their informal institutional environment (see Chapter Five). This is not to say that companies in New Zealand lag in CSR initiatives. But it is reasonable to expect that comparison between CSR reports is inflated by companies in one jurisdiction not being restrained by their walk while those in the other could well be restrained by their willingness to talk. A combination of both internal and external conditions, and largely uncontrollable pressures, leads

businesses to produce such symbolic reactions, whereby public pronouncements of superficial changes in CSR reports are considered central to businesses. Even the *low hanging fruits* of CSR, including environment friendliness, community orientation, employee welfare, energy conservation and consumer-related responsibility, remained contested. Strong differences were observed to occur across the distinct contexts (Ghoul, Guedhami, & Kim, 2017; Hartmann & Uhlenbruck, 2015), and positive business cases are easily recognised (Orlitzky et al., 2003; Waddock & Graves, 1997). These variations are related to the historical and national institutions of each country, despite their remarkably common legal framework of each country. In response to the calls for comparative CSR studies (Chapple & Moon, 2005; Crane, Henriques, Husted, & Matten, 2016b), the research contributes to identifying the institutional and organisational specificities that embed CSR in a particular context. The CSR reporting (and practice) is manifestly different in each context. The implicit CSR comprise of mandatory or taken-for-granted social obligations — cultural norms about social responsibility and stewardship, which was found to be pervasive in a developing country. To best of my knowledge, this is the first study that attempts to examine CSR in Pakistan, a developing country, with that of a developed country, New Zealand — the latter of which continues to be regarded as one of the least corrupt and business friendly nations on earth.

Second, the research contributes to existing knowledge by highlighting the *how* and *why* of CSR reporting in Pakistan. In so doing, institutionalisation of CSR reporting is highlighted by the results of a longitudinal content analysis study through which both internal and external factors (environmentally risky industry, regulation, CSR promoting institutions, MNC's and size) influence the practice. The analysis in Chapter Six drew attention to the lack of effective regulation and participation in sensitive

industries that allows businesses on the receipt of social and environmental concerns to mask them effectively via reporting. The research answers the recent calls for a closer examination of the authenticity of CSR reports and provides greater understanding of the reporting phenomenon (Boiral & Heras-Saizarbitoria, 2020; Higgins et al., 2019; Pope & Lim, 2019; Shabana et al., 2017) in general. Much of which did little to solve the growing and even greater gulf between the walk and talk of CSR. The in-depth interviews revealed that reporting in Pakistan suffers from management training, perceiving CSR reporting as an imperative for public image and recognition. Additionally, the need for significant refinement of CSR regulation and its subsequent enforcement is highlighted.

Chapter Seven contributes directly to the understanding of institutional determinants in Pakistan. Using institutional theory, results of this paper are published in the journal *Emerging Markets Review* identify the local meaning, relevance, orientation, practices, processes, and motivation behind CSR in the country that constitute a unique adoptive mechanism. By contrast, previous research highlights the use of institutional theory as a solid theoretical ground by which to understand CSR in a particular context (Bondy, Moon, & Matten, 2012; Matten & Moon, 2008; Muthuri & Gilbert, 2011) supported by further calls for exploring CSR in developing countries (Dobers & Halme, 2009; Ioannou & Serafeim, 2012; Kim et al., 2013; Yin & Zhang, 2012). In analysing the external determinants of CSR in Pakistan, the research identifies internal organisational-level factors that drive businesses to embark on CSR. These organisational determinants of CSR include self-interest, management commitment and corporate culture. Previous studies have largely neglected the internal-external institutional framework exploring why businesses eventually behave in a socially responsible manner (Campbell, 2007; Yin, 2017). This study shows that even in the

absence of effective government regulation, external factors like family traditions, religious norms, and mimicry of peers in the filed lead business organisations to indulge in CSR that remains insufficiently compelling to result in organisational change.

Chapter Eight investigates whether businesses in Pakistan use CSR reporting as a legitimation tool and explores the pervasiveness of CSR decoupling in Pakistan. CSR is used as a symbolic rather than substantive expression of organisational intent. The study demonstrates that business use CSR reports as lip service and overstate the claims being made. But it also highlights the extent and pervasiveness of CSR decoupling. CSR decoupling is the difference between CSR reporting and actual performance. This research further demonstrates CSR decoupling within the institutional environment of a developing country. In doing so, the study responds to the calls for investigating CSR decoupling in developing countries (Bartley & Egels-Zandén, 2016; Jamali, Lund-Thomsen, & Khara, 2017a; Marquis & Qian, 2014; Tashman et al., 2019). CSR decoupling was expected to be more salient in loosely coupled institutional fields, characterised by institutional complexity, weak regulation, and poor compliance enforcement mechanisms (Greenwood & Hinings 1996). All of which are characteristics of developing countries (Marquis & Raynard, 2015). Consequently, the institutional attributes actually enable organisations to use a CSR structure known to be noncompliant through which they rhetorically frame themselves in a way that shows conformity. However, as the institutional pressures are weak to display the fake or overstated conformity in unlikely to result in legal or social penalty (Deephouse & Suchman, 2008). The research then highlights novel examples of decoupling, as explained in Chapter 8. Not only were discrepancies between the CSR reports and actual performance highlighted but decoupling instances in the form of both texts and

images were demonstrated. The research demonstrates that this corporate behaviour is deliberate as opposed to a result of mistakes.

Theoretical contributions were produced from comparison of CSR reporting between New Zealand and Pakistan, answering the longstanding calls to understanding tightly and loosely coupled systems (Oliver, 1991; Orton & Weick, 1990; Weick, 1976). Karl Weick was one of the ealiest organisational researchers who developed the application of loose coupling, more specifically, in educational ogrnisations. Orton and Weick described loose coupling and tight coupling as,

> "if there is neither responsiveness nor distinctiveness, the system is not really a system, and it can be defined as a noncoupled system. If there is responsiveness without distinctiveness, the system is tightly coupled. If there is distinctiveness without responsiveness, the system is decoupled. If there is both distinctiveness and responsiveness, the system is loosely coupled" (Orton & Weick, 1990, p. 205).

For Weick, (1976), elements of social system are responsive to each other in a way that there is some determinacy for individual units, that is why word *coupled*, however, the units retain the sense of independence, separateness and identity simultaneously, that is why the word *loosely*. In other words, a loosely coupled system allows for the presence of rationality and indeterminacy at the same time (Orton & Weick, 1990). Drawing on theoretical framework of decoupling or loose coupling, this study initiate discussion on the peculiarities of institutional environment in Pakistan and New Zealand. Institutional inabilities in developing countries not only result in lack of laws and regulations, let alone enforcement of these (Marquis & Raynard, 2015). Additionally, developing countries face underlying weaknesses such as maintaining rule of law, administrative capacities of government. Despites these issues, it is highlighted throughout this study

that regulatory bodies in Pakistan are effective to the extent that of developing a CSR disclosure culture in the country. However, there is no mechanism in place through which the performativity and relevance of the reporting can be determined. For instance, some of the companies in the sample were found to be symbolically reporting socially responsible activities that signal to environmental protection and stakeholder philosophy, but for the purpose of diverting attention away from their harmful activities (as described by the accusations of CSR promoting institutions and originality checks). Therefore, it can be argued that decoupling (loose coupling) in developing countries would be due to a multifaceted reason such as lack of external pressures (from both government and civil society), lack of internal capacity or will that encourage adoption of CSR practices. However, this is not to suggest that decoupling in developing countries' organisations does not occur. Of course, there are many studies that described such a situation in developed countries (for example, Siano et al., 2017; Lyon & Maxwell 2011; MacLean & Behnam 2010).

This study was motivated by the observation that businesses in Pakistan report more CSR than those in New Zealand (Khan et al., 2018c). However, further in-depth analysis of these reports and interviews with the relevant stakeholders identify that lack of institutional pressures on companies to develop robust CSR performance. The pervasiveness of such decoupling can be seen from ways that do not corresponds to their performance, which normally requires substantive changes to organisational operational activities. When dealing with uncertain, chaotic and often mercurial conditions (inherent characteristics of developing countries), the most effective organisational response is to disregard complexity and focus instead on what is actually deemed to be necessary for survival. Consequently, when there are institutional voids,

and performance is dependent on the vigilant government and other stakeholders, it is easier for organisations to decouple after gaining foothold within the institutional field.

In a nutshell, businesses in developing countries face pluralistic institutional demands whereby they feel enough pressure to report on CSR but not enough to follow through or be held responsible for not complying with their policies. In other words, organisations perform some mental calculus where they weigh the benefits of reporting against the cost of actual performance, and the benefits outweigh the costs, reporting regardless of action becomes the normalised course of action. The findings suggest that businesses in a weak and non-enabling institutional environment can knowingly find ways to act in amoral and calculating ways. Therefore, the research contributes to the understanding of how managers across different contexts report CSR: CSR is tightly coupled in New Zealand whereas loosely coupled in Pakistan, which is not manifested in CSR reporting alone.

9.4.2   Methodological contributions

In addition to the theoretical contributions, the research makes two major methodological contributions in the field of business and society. Research in businesses and society is becoming mainstream but the field continues to suffer from the inevitable methodological challenges (Crane, Henriques, & Husted, 2018). Various scholars (for example, Chatterji, Durand, Levine, & Touboul, 2016; Crane et al., 2018; Crilly, Hansen, & Zollo, 2016; McCarthy & Muthuri, 2018) have called for new methods and methodologies in respond to real-world problems. Innovative and unconventional techniques were used in this research to highlight decoupling in CSR reports, namely, originality checks through the use of Turnitin^{TM} and TinEye^{TM}. These software were originally developed for checking originality of student's work

(assignment's and papers), and reverse searching pictures online, respectively. Turnitin[TM] (http://www.turnitin.com) comprehensively identifies where students plagiarise documents from the internet. Turnitin[TM] has been used in the reporting environment (for example, Holder-Webb & Cohen, 2012; Shrives & Brennan, 2015) but not in terms of highlighting matches in CSR reporting. The TinEye[TM] (https://www.tineye.com) reverse image search engine identified how the pictures are digitally manipulated by reporting companies. The use of TinEye[TM] proofed to be warranted in CSR reporting because annual and sustainability reports of companies are filled with accounts of *glowing images depicting responsible conduct*. These techniques have used for the first time to highlight discrepancies in CSR reporting. More details on the description, use, and results of these techniques were explained in Chapter 8. The use of these popular tools in business and society research provides new pathways of methodological pluralism, and partly solves the issue of academic relevance with respect to real-world issues.

Lastly, the research uses the quadrangulation (McKernan, 1996) of data created by the content analysis; Turnitin[TM] and TinEye[TM]; discourse analysis; and, the primary data obtained through interviews with key participants. As CSR decoupling is a contested concept (Bromley, Hwang, & Powell, 2012; Crilly et al., 2016; Hensel & Guérard, 2019), multiple data sources are required for deeper analysis. The research used a blend of quantitative and qualitative data sets to address the overarching themes. While multi-method approaches are getting popular (Harrison, 2013), little understanding of quadrangulation is available in management and organisation research, in general, and business and society, in particular.
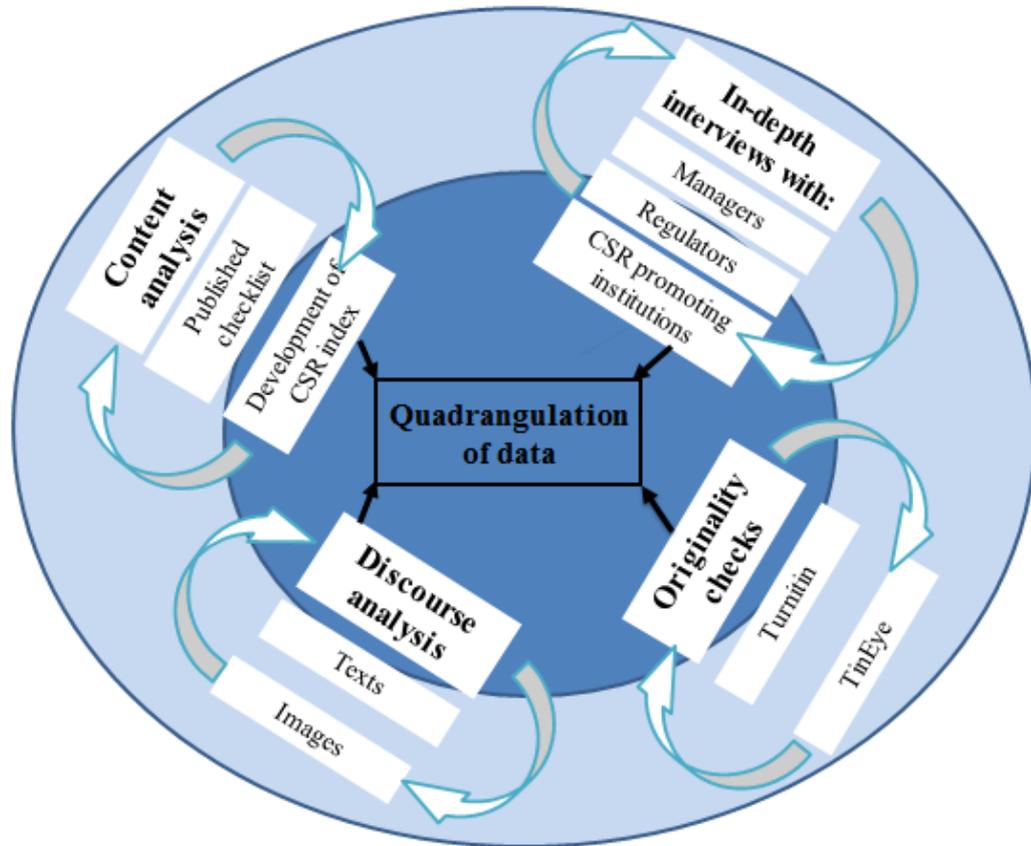
Figure 9.1 Data sources used for the study.

9.5 Implications for practice

The research has implications specifically relevant to the Pakistani context. These can

be extended to other developing (emerging) countries with similar institutional settings.

The study anticipates that in helping local firms in developing countries can adopt CSR

policies and practices in line with their institutional context, whereas multinationals

operating therein are at a better position to pursue CSR as a tool to fill the local

governance gap. Although some of these implications have been highlighted in the

individual papers, the overarching strategies for businesses in relation to reporting,

practice and CSR decoupling, are discussed here.

There is an important gap in understanding the managerial implications of CSR

reporting in terms of both credibility and reliability. For instance, Jahdi and Acikdilli

(2009) contended that the way in which businesses communicate CSR-related messages in their reports influences the manner in a which corporate image is presented. The results of this study suggest that the preparation of CSR reports in the hope of garnering increased legitimacy may actually hamper transparency and authenticity of the information being provided. CSR communication may emerge as a set of *texts* that shape (Siano, Vollero, Conte, & Amabile, 2017) but in so doing, sometimes businesses indulge in reporting to gain access to resources. Consequently, businesses may generate irrelevant and unreal texts, with the sole intention of resource acquisition. This research offers managers a framework with a myriad of organisational-level and institutional-level factors that can help determine the veracity of information to be communicated in CSR reports.

The impact of internal organisational factors may be limited in a developing country context (Wickert, Scherer, & Spence 2016). The findings of this research represent a similar situation where statistical significance was problematic. Imitating others, being part of sensitive industry, and the presence of CSR promoting organisation in the field are in line with the institutional theory's argument that adopters of CSR reports are more likely to use such reports for reputational benefit. Considering the strong influence of these institutional forces on CSR reporting in developing countries, managers need to pay attention to the wider ranges of cultural, political, regulatory, technological and climate change issues, instead of solely reporting to immediate stakeholders for legitimacy purposes. Businesses are embedded in a complex institutional setup; managers need to realise the interdependence of the business environment and the surrounding institutional forces, regardless of their origins.

Additionally, the sample CSR reports studied hence found to present good news (through the low hanging fruit of CSR, demonstrated in Chapter 6), The reports were

silent on negative news. This finding is in line with the study by Chwastiak and Young (2003) who argued that businesses do not mention other injustices in annual reports of making a profit and other performance-related measures. Although this represents a potential limitation of CSR reports but also highlights the avenues for potential improvement. Reporting on issues, such as toxic releases and other environmental harms, product-related issues and employee's concerns, is expected to improve the transparency of reporting considerably.

Through in-depth interviews with managers, regulators and CSR promoting institutions, the research demonstrates a narrow conception of CSR in Pakistan, namely, it being a social service for charity and philanthropy. Pakistani businesses tend to link CSR with the prevailing ethical and religious elements especially when referring to charity and immediate stakeholders. Internal organisational-level factors were found to play an important role in bringing the promised benefits of CSR. Therefore, the results suggest that businesses may require a strategic response to pursue CSR, addressing broader issues in order to meet a sustainable agenda.

Finally, the research highlights cases of overstated CSR, and discrepancies between walk and talk of CSR. While there may be examples of more transparent reporting, the few anomalies here, such as the lack of originality are cases hypocrisy, greenwashing, window dressing or decoupling, amongst found what was a small sample. The potential role of CSR reporting is to foster CSR performance and impact (Graafland & Smid, 2019), particularly, with a development agenda in developing countries. Instead, what was found was concealment and conventual symbolic strategies, largely through the imitation of others. This behaviour was demonstrated to be deliberate, it now requires a concerted effort on behalf of business to set out

individualised reporting and engage in a dialogue with a wide range of stakeholders as recommended by Illia, Romenti, Rodríguez-Cánovas, Murtarelli, & Carroll, (2017).

9.5.1 Implications for policy makers and other stakeholders

The findings of this research have value for national regulators, notably, the Securities and Exchange Commission of Pakistan (SECP). Although the regulatory body has recently incorporated the CSR Guidelines (SECP, 2013), and revised the existing Corporate Governance Code several times since its inception in 2013 (SECP, 2017, the *Guidelines* and the *Code* are voluntary and do not enforce CSR on their constituency. In this environment some business does not bother to report and those that do go to the extent of attention deflection and decoupling. Previous studies have also hinted towards the weak regulation, poor enforcement and rampant political corruption, strong corporate political connections, and the lack of transparency (Javid & Iqbal, 2010; Khan et al., 2018b; Yusuf, Yousaf, & Saeed, 2018). These characteristics are clearly in contrast with that of a developed country. The irony is that, Pakistan is following a Western style *comply or explain* type of regulation which overtime has resulted in a lack of transparency and authenticity in CSR and other corporate matters. Therefore, the results suggest that policy makers need to consider the domestic institutional context before formulating an appropriate corporate regulation that promotes real CSR. Interviewees in the study contended that if anything can stimulate CSR in Pakistan, it must be regulation that is subsequently upheld. Thus, the findings suggest the need for broader institutional and regulatory reforms to forestall the gap between envisioned CSR and the current deviating corporate practices. This may involve the introduction of mandatory regulation or a mix or hard and soft law as transparency flourishes in an

institutional environment with sophisticated laws, active media and committed internal organisational members.

Regulators may foster direct interaction and dialogue with key stakeholders. Therefore, dialogue that produces conflicting expectations is likely to result in further guidelines or more stringent regulations that to define the purpose and scope of CSR reporting and practice. Ultimately, these interactions ought to reduce current CSR decoupling and buffering strategies over time. Earlier research has observed that regulators in developing countries benefit from participation with a wide range of stakeholders (Malesky & Taussig, 2017). While some companies in Pakistan are observed to be working with Global Reporting Initiatives (GRI) and United Nations Compact, the integrity of their reports remains bleak.

The findings of this research raise scepticism towards the working of regulatory institutions in Pakistan. This is true for other institutionally underdeveloped countries as well where corruption, bribes, and exit through connections is pervasive. The results *can be* interpreted as producing decoupling amidst regulatory organisations, alongside that of business. Due to the exceptional institutional complexity in developing countries, national regulators will continue to face challenges in not only producing appropriate regulation but also upholding its compliance. More research in this area is required. Why, even in the presence of regulation is it simply not being upheld?

Finally, direct and indirect stakeholders can also benefit from the findings of this research. For instance, investors with respect to investment to a potential company; customers seeking information about suppliers; and, how the product was developed can ask the company to validate disclosed information through third parties. If the business fails to provide third-party validation, CSR reporting is questionable. This verification could come from accounting firms, specialist consultants, CSR promoting

institutions, NGOs, and certification bodies, which have credibility and technical expertise to provide assurance for CSR reporting.

9.6   Limitations and implications for future research

First, the study has inherent characteristics of categories of content analysis by relying on an adopted index. This method still has the obvious limitation of only covering 45 items on the published checklist. Future researchers may consider using volumetric studies (Khan, Lockhart, & Bathurst, 2018a; Vourvachis & Woodward, 2015) to examine the overall content reported by companies, particularly, in terms of both new themes and items being reported.

Second, the research only focused on CSR reporting in annual reports. This may have underestimated the level of reporting in Pakistan. In the contemporary business environment, companies are reporting on a plethora of platforms including standalone CSR reports and website reporting. Future studies may aggregate the contents reported across all the channels. The reports studied for this research mostly came from the non-financial sector (regulated by SECP), further studies could draw even larger samples comprising of the financial sector as well to explore the influence of a different regulatory institution; the State Bank of Pakistan (SBP).

Third, because the majority of the businesses are non-listed family-owned in Pakistan (Yusuf et al., 2018), it is difficult to obtain secondary data. Further research could utilise other primary data collection measures, such as, survey questionnaires complemented methods designed to understand the reason behind non-reporting. Little is known about the socially responsible practices of family-owned businesses in terms donations and philanthropic activities, and whether or not their wrongdoings get exposed.

Fourth, given the increasingly enduring nature of CSR reporting in developing countries (Jamali & Karam, 2018; Jamali & Neville, 2011), and multilevel and complex nature of CSR in general (Aguilera, Rupp, Williams, & Ganapathi, 2007) further studies are needed to explore the *why* and *how* of CSR in relation to both the internal and external institutional context perhaps even by sector. Such granularity is expected to contribute to the current limited research in developing by highlighting the intricacies at sector level. This in-depth exploration would be interesting potentially revealing sector-wise behaviours and their boundaries (for example, lack of originality, and the reasons behind such behaviour).

Future research needs to explore institutionalised CSR decoupling in similar developing country context and examine whether CSR reports are used as a symbolic management practice or if they are genuine and substantive claims under a different institutional environment. In doing so, future research may also consider when, and why CSR reports remain symbolic or become implemented. For instance, this may involve the types of institutional pressures in the field or internal characteristics of businesses that result in CSR decoupling. This will not only answer the longstanding call to examine the relationship between decoupling and isomorphism (Boxenbaum & Jonsson, 2008) but also help in understanding whether decoupling persists amongst the late adopters of CSR reporting in developing countries.

Finally, one of the important themes emerging from this research were the problematic regulatory institutions. It is not only businesses that symbolically adopts CSR policies decoupled from practice, but decoupling was found to occur amidst the regulators' offices where they simply fail to develop and enforce standards. There is limited evidence of research on regulators' decoupling in economically developed countries (for example, Heese et al., 2016), but such behaviour by national regulators is

yet to be studied in developing countries which are filled with internal fragmentation and external institutional complexity.

While collecting data in Pakistan, tobacco farmers in Mansehra were protesting over farm-gate commodity pricing. Mansehra is a small city in northern part of Pakistan, and is very famous for the production of flue cured Virginia tobacco. Two major companies used to buy tobacco; Philip Morris (previously owned by Lakson Group) which has recently stopped operations and creating a monopoly for Pakistan Tobacco Company (PTC) over all farmers' produce. Thousands of small farmers sell tobacco to the sole purchaser who is exploiting them in numerous ways. For instance, buying tobacco in several trips; charging the price of their choice; favouring some farmers over others. These simple rights were ignored by PTC and the farmers signed (or fingerprinted) affidavits in their respective geographical areas. However, when the company realised the situation is going out of hand, it somehow influenced the leaders of the farmers union, leaving other poor farmers' directionless. Most farmers were left with no other option but to grow the crop again as they already have relative investment in tobacco such as the furnace plant, farms and machinery. However, some farmers shifted to other crops to wheat, maze and vegetables. Despite the controversy and prolonged protests neither government nor local media paid any attention to the plight of poor farmers. This shows the often darker, harmful and undocumented consequences of multinational business activities in developing countries, whereby, institutionalisation of power relations is normal corporate behaviour.

This is another case that has been normalised in Pakistan as there are continuous large scale wide-spread irresponsible corporate conduct, for example, child labour in soccer ball manufacturing in the 1990s (Khan et al., 2007); women empowerment (Munir, Ayaz, Levy, & Willmott, 2018); employee mistreatment (Ashraf, 2018); tax

evasion by the sugar industry (Akhter, 2019); and, misconduct in accountability offices (Jamal, 2018), as discussed earlier in chapter seven. This is an important and relevant case to study the role of institutional factors that drive businesses to go to such extents. This is an opportunity to collect in-depth data with the farmers group (union leaders; those whose signed the affidavit but still grow tobacco; and, those who shifted to other crops), company supervisors directly dealing with farmers; top management, national regulators (including the tobacco board) and, the Tobacco Control Cell (TCC) . Placing this case in the broader management and organisational domain is expected to bring novel insights.

The last observation that emerged from data collection was the businesses trying to question the ability of regulatory institutions to advance their legitimacy on one hand, while the same institutions were trying to defame businesses on the other. In one particular case neither party was observed to be walking their talk. Knowing the actual response deployed by each or having a multi-stakeholder's perspective on accusations presented by each side and if there is a solution, would make further contribution to knowledge. Institutional theory provides insights into such behaviours where businesses consider the activity of regulators as being illegitimate (Webb, Tihanyi, Ireland, & Sirmon, 2009). The idea that such buffering strategies can either be accepted or avoided in annual reports, needs to be further explored given the idiosyncrasies of institutional demands. Such perspectives would increase the understanding of not only the policy-practice decoupling but also to take into account means-ends decoupling which is as yet underexplored organisational phenomenon.

9.7   Majid Khan – commentary on the PhD journey

The focus of this study on CSR has largely emerged and been motivated by my own

development, and intricate relationship with society and the natural environment. I was

born and bred in Northern Pakistan's picturesque city, Mansehra – a place famous for

fairy tales. Nested in the Hazara region, Mansehra comprises colourful and stunning

rivers, wooden bridges, snow-caped mountains and meadows skirted by rugged hills. In

the following section, I briefly explain how the relationship unfolded through this

personal journey of study.

I still remember the day, when I went for my Masters degree admission interview

in 2010, the professor asked me, "What are you going to research on?" I answered

"corporate social responsibility of business", to which the professor replied, "It is a

marketing topic and you are here for a Masters in Management". I was taken aback by

his reply and naively stayed silent in response. For me, the interest in social issues in

management started from an introductory management class in first year as an

undergraduate finance major. I eventually ended up doing a MS (Master of

Management) dissertation entitled, "*Role of Corporate Social Responsibility in*

Development of Strategic Business Organization of Pakistan". It was another study

where CSR was taken as an independent variable against the technical efficiency of

organisations. I soon realised that there was a scarcity of studies on how CSR is

understood in Pakistan. This observation and reflection were important for shaping my

work conceptually. More specifically, the above reflection involves two concepts, that

considered together shaped my thrust for studying CSR.

I started my PhD journey from Ankara Yildirim Beyazit in late 2014 in

Management and Organisation. It was there that I started developing interests in

organisational theory, that helped my familiarity with a variety of theoretical

perspectives that could be used to study CSR. Management and organisations coursework focuses mainly on how individuals and groups interact within organisations, and how organisations interact with one another, and the external environment. The programme also trained me in several qualitative and quantitative research methodologies, in addition to the philosophical positions that underpins social science, in general.

After the completion of coursework and the qualification exam, I received a scholarship to study at Massey University, New Zealand. Admittedly, my PhD started off with a topic that was somewhat different to the one I finished up with. My research proposal focused on comparative institutional analysis of CSR between New Zealand and Pakistan. The reason for such an endeavour was both these countries have nearly identical corporate regulation with common foundations in British law. However, the extent to which CSR is perceived and practiced is completely different. Therefore, I was specifically interested in exploring the underlying institutional mechanisms that result in the varying CSR manifestation across the two countries. Yet, at my confirmation event, the panel cautioned me of the monstrosity of the project and after consultations with my supervisors, I thought it would be wise to focus only on studying CSR in Pakistan – an under-researched context to date. However, my work in first year resulted in a study where a small sample from identical industries was used to compare CSR reporting of companies within New Zealand and Pakistan. Surprisingly, I found that Pakistani companies report more CSR than those in New Zealand. This result was contrary to the assumption of institutional theory that stronger institutions result in better manifestation of CSR reporting and practice. This led me to test the originality of CSR reporting of a subsample of these reports and I immediately found a lack of originality on various aspects of CSR reporting. These two observations shaped the overall study of CSR

decoupling in Pakistan: the statistic that companies in a weak institutional environment report more than those in stronger jurisdiction; and, the lack of originality in CSR reporting.

If it was not for these observations, the thesis would have been a conventional monograph, instead of thesis by publication. As I progressed, different papers that emerged provided insights about theoretical arguments, methodological interventions, and empirical evidence that organisations reporting CSR may not always translate into practice and intended impacts. At first glance, I was cynical looking at the lack of originality in CSR reporting. That made me think if businesses are not sincere and honest in their reporting, how would they transform these reports into actual practice? Especially, in developing countries, where the governments have lack of resources and it is incumbent on businesses to fill in the development and governance gap using CSR initiatives. Additionally, if CSR reports are unreal, how would they be performative? However, not all companies were found to be involved in such practices. Further, the findings contained in this thesis highlight that this may be the case of Western CSR reporting practices diffusing to developing countries. I believe more research, government interventions, media coverage and stakeholders' activism would help reaping the realised benefits of CSR in countries like Pakistan.

Finally, although it was a very engaging topic, it would have been difficult to complete PhD without the right environment and support. I am deeply indebted to my supervisors for their continuous support, care, attention and intellectual engagements. Many other researchers in my field inspired me and guided me along the way. My word of advice for fellow travellers who are starting a PhD programme or writing their thesis is to find your passion, stick to it, give yourself a chance and follow your passion. Think about what you want to understand about the world around you.

9.8   Moving forward: Are there potential solutions?

The findings of this study may precipitate scepticism about the operations of businesses and regulatory organisations in Pakistan. Hoping en route to unravel the puzzle of institutionally or culturally embedded decoupling; which is deeply ingrained and entrenched in developing countries; so, little could be done till the institutional reforms and restructuring are not complete. There is a great deal of scepticism about the prospects of bureaucrats who are responsible for undertaking such positive actions. However, the bureaucracy in countries like Pakistan, is mostly considered as corrupt, lethargic and stubborn. While, the newly elected government in Pakistan (spearheaded by Imran Khan) came into power on the rhetoric of eliminating decades of mismanagement, corruption and political manipulation that have rendered the country's civil service institutions as incapable for the provision of effective governance and basic public services.

More importantly, the ruling party came into power for its manifesto committed to transforming governance in Pakistan based on nine promises: bringing accountability to the core of government; reforming criminal justice system and providing speedy access to justice; institutionalising e-Governance practices in public administration; depoliticising and strengthening police; empowering people at the grassroots level through local government; depoliticising and strengthening police; facilitating delivery through legislative reform (Right to Information, Right to Services); ensuring freedom of the press, and reforming government procurement. Specifically, institutional reforms of entities like National Accountability Bureau (NAB), SECP, Federal Investigation Agency (FIA) and Federal Board of Revenue (FBR) are still waiting for the promised restructuring, today, as the government is about to complete two years of its tenure. It is important to recognise that such institutional restructuring is no small task.

The government is facing economic and administrative impediments that hamper its ability for the pursuit of promised manifesto. This study provides some of the complex dynamics of Pakistani institutional environment between the regulatory and regulated organisations, in addition to overall societal and cultural specificities. With the new government, legislators in Pakistan are not only expected to focus on policy making but its implementation by the regulatory agencies as well. By so doing, regulatory agencies will have more interactions with businesses than with legislators on daily basis for effective execution of regulation. The papers included in this thesis articulate simultaneously about the widespread decoupling in Pakistan that extends our limited understanding surrounding the business and regulatory activities.

Through this perspective, the theoretical and empirical analysis demonstrating businesses' decoupling that shed some light on how nuanced and complex forms of CSR are contextualised and indigenously shaped by a myriad of factors including, social, cultural and political attitude towards regulatory authorities. However, with the new government's commitment to zero tolerance on corruption, we should observe a decrease in CSR decoupling, but also enhanced transparency and accountability in regulatory offices.

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APPENDICES

Appendix A: CSR Checklist

CATEGORIES	COMPANIES	
	#	Items
Environmental responsibility	1	Environmental policies & concerns
	2	Statement indicating that companies' operations are non-polluting or compliance with the pollution laws and regulations
	3	Pollution control in conduct of business operations and statements indicating pollutions from operations has been or will be reduced.
	4	Conservation of natural resources, for example, business recycling material, recycling glass, metals oil, water, paper, etc.
	5	prevention or repair of damage to the environment resulting from processing or natural resources, for example, land reclamation or reforestation, environmental protection program.
	6	Support for public/private action designed to protect environment.
	7	Designing facilities that are harmonious with the environment.
	8	Disclosing air emission information.
	9	Disclosing water discharge information.

	10	Disclosing solid waste information.
	11	Award for environment protection, for example, ISO 14001, Carbon Level etc.
Energy information	12	Disclosing company's energy policy.
	13	Conservation of energy in the conduct of business operations.
	14	Utilising waste materials for energy production.
	15	Disclosing energy savings resulting from product recycle.
	16	research directed at improving energy efficiency of products.
	17	Awards for energy conservation programs.
Employee information	18	Complying with health and safety standards and regulations.
	19	Information on education/training of employees on health and safety.
	20	Information on accident statistics.
	21	Receiving safety awards, for example, OSHAS 18000, ISO 18001, Zero Accident, TLS 8001.
	22	Providing low cost health care to employees.
	23	Employees training, giving financial assistance to employees in education institutions for continuing educational courses.
	24	Providing recreational activities/facilities.

	25	Providing staff accommodation, staff home ownership schemes, food, fuel, other benefits.
	26	Information about support for day care, maternity and paternity leave, holidays and vocations.
	27	Disclosing policy for employee's remuneration package.
	28	Information on employees share purchase scheme.
	29	Information on number of employees.
	30	Information on the qualification and experience of employees.
	31	Information on employees' relations with the trade unions.
	32	Information on recruiting employees from minorities/women/special interest groups.
	33	Providing information stability of the employee's job and company's future.
Community involvement	34	Donations of cash, products or employees' services to the community activities, events arts, sports etc.
	35	Part time employment of students such as internships
	36	Sponsoring public health projects and distributing health facilities to public.
	37	Funding scholarships programs or activities.
	38	Sponsoring educational conferences, seminars, workshops or art exhibitions.

	39	Donation to disaster victims.
	40	Supporting the development of community programs, events, activities and excursion.
Customers oriented Responsibility	41	Information on safety standards of the product.
	42	Information on developments related to the company's products, including its packaging.
	43	Information on product development by company's product including its packaging
	44	Product research and development by company to improve its products in terms of quality and safety.
	45	Information on the quality of the product such as ISO 9002, 22000, ISO/IEC 17025, GMP/HACCP/HALAL, BRC

Appendix B: Short listed companies and the availability of annual reports

No	Industry	Company name	Annual report year			
			2001	**2006**	**2011**	**2017**
1	Power generation & distribution	Hub Power Co	√	√	√	√
2		Karachi Electric Supply Co	√	√		√
3		Japan Power Generation	√	√	√	√
4	Cement	Kohat Cement	√	√	√	√
5		Fecto Cement	√	√	√	√
6		Lucky Cement	√	√	√	√
7	Engineering	Crescent Street and Allied Products ltd	√	√	√	√
8		International industries	√	√	√	√
9	Fertilizers	Dawood Hercules Chemicals	√	√	√	√
10		Engro Fertilizer Ltd	√	√	√	√
11		Fauji Fertilizer	√	√	√	√
12	Textile	Artistic Denim Mills Ltd	√	√	√	√
13		Premium Textile Mills	√	√	√	√
14		Gul Ahmad Textile Ltd	√	√	√	√
15	Chemical	ICI Pakistan Ltd	√	√	√	√
16	Food and personal care products	National foods ltd	√	√	√	√
17		Treet Corporation Ltd	√	√	√	√
18	Leather and Tanners	Bata Pakistan	√	√	√	√
19	Technology and Telecommunication	Pakistan Telecommunication Ltd	√	√	√	√
20	Tobacco	Pakistan Tobacco Company	√	√	√	√
21	Transport	PIA	√	√	√	√
22	Cables and electrical goods	Siemens (Pakistan) Engineering Company Ltd	√	√	√	√
23		Pak Cables Ltd	√	√	√	√
24	Pharmaceuticals	Highnoon Laboratories Limited	√	√	√	√
25	Sugar and Allied Industries	Ansari Sugar Mills Limited	√	√	√	√
26		Al-Noor Sugar Mills Limited	√	√	√	√
27	Automobile Assemblers and Accessories	General Tyre and Rubber Co. of Pakistan Limited	√	√	√	√
28		Hino Pak Motors Limited	√	√	√	√
29		Millat Tractors Limited	√	√	√	√

Appendix C: Ethics notification

Date: 29 August 2016

Dear Majid Khan

Re: Ethics Notification - 4000016625 - **An examination of CSR decoupling in Pakistan: A research journey through tight and loosely coupled environments**
Thank you for your notification which you have assessed as Low Risk.
Your project has been recorded in our system which is reported in the Annual Report of the Massey University Human Ethics Committee.
The low risk notification for this project is valid for a maximum of three years.

If situations subsequently occur which cause you to reconsider your ethical analysis, please go to http://rims.massey.ac.nz and register the changes in order that they be assessed as safe to proceed.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course -Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:
"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named in this document are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you want to raise with someone other than the researcher(s), please contact Dr Brian Finch, Director - Ethics, telephone 06 3569099 ext 86015, email humanethics@massey.ac.nz.

Please note, if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to complete the application form again, answering "yes" to the publication question to provide more information for one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Research Ethics Office, Research and Enterprise
Massey University, Private Bag 11 222, Palmerston North, 4442, New Zealand **T** 06 350 5573; 06 350 5575 **F** 06 355 7973

E humanethics@massey.ac.nz **W** http://humanethics.massey.ac.nz

Yours sincerely

Dr Brian Finch Chair, Human Ethics Chairs' Committee and Director (Research Ethics)

Research Ethics Office, Research and Enterprise

Massey University, Private Bag 11 222, Palmerston North, 4442, New Zealand **T** 06 350 5573; 06 350 5575 **F** 06 355 7973

E humanethics@massey.ac.nz **W** http://humanethics.massey.ac.nz

Human Ethics Low Risk notification
Dr Brian Finch Chair, Human Ethics Chairs' Committee and Director (Research Ethics)
Dear Majid Khan

Re: Ethics Notification - 4000016625 - **An examination of CSR decoupling in Pakistan: A research journey from tight to loosely coupled environments**

Thank you for your notification which you have assessed as Low Risk.

Your project has been recorded in our system which is reported in the Annual Report of the Massey University Human Ethics Committee.

The low risk notification for this project is valid for a maximum of three years.

If situations subsequently occur which cause you to reconsider your ethical analysis, please go to http://rims.massey.ac.nz and register the changes in order that they be assessed as safe to proceed.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course -Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:
"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named in this document are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you want to raise with someone other than the researcher(s), please contact Dr Brian Finch, Director - Ethics, telephone 06 3569099 ext. 86015, email humanethics@massey.ac.nz. "

Please note, if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to complete the application form again, answering "yes" to the publication question to provide more information for one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

Dr Brian Finch
Chair, Human Ethics Chairs' Committee and Director (Research Ethics)

TO WHOM IT MAY CONCERN

Majid Khan is a fulltime PhD candidate at Massey Business School, Massey University, New Zealand. He is pursuing his research under my guidance as the chief supervisor. His PhD research is titled Request for Interview on **"An examination of CSR decoupling in Pakistan: A research journey through tight and loosely coupled environments".** As part of his study he is conducting interviews of decision makers in listed companies in Pakistan in order to get understanding of underlying institutional mechanisms that result in CSR. The results of the study will be analysed and will help in understanding the term CSR from a Pakistani perspective and the motivation behind it, in addition to understanding the regulatory and cultural influences on CSR in a Pakistani context.

It will be highly appreciated if you could help him in contributing to his semi-structured interviews that will take approximately 60 minutes to an hour.

Please do not hesitate to contact me or Majid regarding this research. We assure you of the confidentiality of the data collected through this interview.

Thanking you.

Yours faithfully

James Lockhart, *pmsc,* MAg(Hons), PhD, CMInstD

j.c.lockhart@massey.ac.nz

Te Kunenga
ki Pūrehuroa

School of Management
Massey University, Private Bag 11222, Palmerston North 4442 T +64 6 356 9099 F +64 6 355 7984 www.massey.ac.nz

Appendix E: Information sheet

Dear respondent,

Request for Interview on "An examination of CSR decoupling in Pakistan: A research journey through tight and loosely coupled environments**"**

I am PhD candidate at College of Business, Massey University New Zealand. My research is about institutional effects on corporate social responsibility practices in Pakistan. The research aims to reveal the extent and nature of CSR practices in Pakistan and how it is affected by corporate regulation and other factors such as culture, religion and traditions. The research expects to help promote the development of CSR practices and corporate governance regulation in the country.

Your company has been selected for the sample. It is with great pleasure that I invite your company to be a part of this study by assigning top level representative, who engages in decision making and is actively involved in CSR activities, to be interviewed in order to gain more insights on these practices. Your participation will be highly appreciated and will make a valuable contribution to the development of CSR practices in Pakistan.

It would be a privilege and honor if I could get your company to be involved in my research and I most sincerely hope that your company will be able to participate. I assure you that the information received from interviews will be solely used for my PhD research and will be strictly confidential. All the quotes will be anonymous and real name of the participants will not be used at any publication of subsequent report and all data will be analysed in a collective manner. For more information, please see the attached information sheet and consent form.

If you are happy to participate, please send me an email so that I can contact your office to set up a mutually convenient time for the interview.

Thanking you,

Sincerely,
Majid Khan

Information sheet for interviews

1. Title of the research

An examination of CSR decoupling in Pakistan: A research journey through tight and loosely coupled environments

2. Researcher's name and contact information

Address: School of Management (PN) - Te Kāhui Kahurangi

Massey University, Private Bag 11222

Palmerston North, New Zealand.

Email: m.khan@massey.ac.nz or ██████████████████

Mobile: ██████████, Office: +64 (60) 9518835 ext. 85835

3. Supervisory team and contact information

i) Dr. James C. Lockhart
Address: School of Management (PN) - Te Kāhui Kahurangi
Massey University, Private Bag 11222
Palmerston North, New
Zealand. Email:
J.C.Lockhart@massey.ac.nz
Copper: +64 6 9516524
Clouds: +64 21 1933540

ii) Dr. Ralph Bathurst

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4. Information related to the interview

Outline of the study

The main purpose of this study is to explore the nature and extent of corporate social responsibility practices in Pakistan and how these practices are affected by the corporate regulation and informal institutional environment such as culture, religion and tradition. The extent and nature of CSR practices in Pakistan are not well-discovered and there is dire need to uncover these along with the institutional pressures which result in CSR. The findings of the study will help in understanding CSR, corporate governance and other institutional factors in the country.

Meaning of CSR

Although the term CSR has been discussed in theory and practice, a universally accepted definition of the term is yet to emerge. However, as a guide CSR can be defined as business activities which are beyond the realm of regulation and are directed towards the development of environment, community, employees and other stakeholders. However, this is just a demonstrative guide and meaning of the term will remain open throughout this research. Hence, meanings of CSR will be understood from managers' and regulators perspective.

Data type expected to be collected

The study aims to collect information in relation to defining characteristics of CSR, motivation behind CSR and role played by factors formal (regulation) and informal (culture, religion and traditions) institutional environment in a Pakistani context. In addition, information will also be required regarding the gap between CSR reporting and actual performance.

Targeted

Interviewee

Managers of companies who make CSR decisions or are directly involved in CSR activities and regulators (SECP and PSX officials) who set rules of the game for businesses in Pakistan. The interviews are expected to last for at least an hour. The interviews will be recorded using voice recorder.

5. Confidentiality

All the data received will be confidential to the researcher and supervisors. No mention of the participants will be made in any publication and the thesis. Real

names of the participants will remain under cover and a made-up name (pseudonym) will be used for quotations by the interviewee.

6. Interviewee's rights

In case of any potential conflicts of interest between you and the researcher,

you may:

- You may refuse to answer any question during the interview,
- Ask any further question about the research before, during and after the interview, and
- Demand summary of findings when the study is completed,
- If you want to correct any factual errors after the interview, you will be sent the transcript and given the opportunity rectify,
- Any variation of the conditions above will only occur with your further explicit approval.

An examination of CSR decoupling in Pakistan: A research journey through tight and loosely coupled environments

PARTICIPANT CONSENT FORM

I have read the Information Sheet and have had the details of the study explained to me by Majid Khan. I have read and understand the explanation provided to me. I have had all my questions answered to my satisfaction, and I voluntarily agree to participate in this study. I understand that:

- The researcher will not identify me by name in any reports using information obtained from this interview,
- My confidentiality as a participant in this study will remain secure,
- Subsequent uses of records and data will be subject to standard data use policies which protect the anonymity of individuals and institutions,
- Participation involves being interviewed by researchers from Massey University.
- The interview will last approximately 60 minutes,
- Notes will be written during the interview. An audio tape of the interview and subsequent dialogue will be made. If I don't want to be taped, I will not be able to participate in the study.

I also understand I am free to withdraw at any time from the study or decline to answer any particular question. I agree to the interview being sound recorded under the condition of confidentiality.

I agree to participate in this study under the conditions set out in the Information Sheet by Majid Khan.

Signature:⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚⬚ **Date:………………**

Full Name – printed: ………………………………………

Appendix F: Interview outline

Semi-structured Interview Outline **Interview with executives/ management of the company**

Demographics of the interviewee:
Name:
Designation in the organization:
Email:
Gender:
Years in the organization:

Basic information of the company, including but not limited to founding, size and line of business

1. Does your company have a clearly defined mission statement, articulated vision and written policies?
   Prob: Do you incorporate CSR program or strategy?

2. How would you define corporate social responsibility?

3. Is CSR a central component in your business ethos, in terms of economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, stewardship principles and environmental sustainability issues, among others?

4. Can you mention some examples of CSR practices carried out by your business?

   (a) Prob: Does your company direct CSR activities towards your employees?
   (b) Prob: What are your views in this regard?
   (c) Prob: why the focus is on these issues and why your business prioritises these issues?

5. Is your company environmentally sound, in terms of energy and water conservation, recycling initiates and waste reduction?

6. How would you describe the relationship with community around you?

Motivations and influences

1. Why does your company engage in CSR activities and CSR reporting?
   (a) Prob: Internal factors
   (b) Prob: External factors
2. Do you think reporting awards have an influence on CSR activities? Why? How?

   (a) Prob: Why?

(b) Prob: How?

3.   Do you think your auditors influence CSR activities of the company?

(a) Prob: How?

(b) Prob: Why?

4.   Do you think financial performance of the company has an fluence on CSR activities?

(a) Prob: How?

(b) Prob: Why?

5.   What are the factors that lead some other firms to be more responsible or irresponsible?

(a) Prob: How?

(b) Prob: Why?

Pakistani Business Environment

1. Do you think the culture and history of Pakistan have an influence on CSR practices in the country?
   (a) Prob: Prob: How and to what extent?
   (b) Prob: What are the resultant CSR activities or strategies?
2. Do you think CSR practices of Pakistani companies are different from other countries?
   (a) Prob: How?
3. Do you think people in Pakistan are concerned about socially responsible activities?
   (a) Prob: Why?
4. Do you think corporate governance guidelines in Pakistan have an influence on corporate social responsibility?
   (a) Prob: How?
5. What do you think about corporate regulations related to CSR in Pakistan?
   (a) Prob: Are they adequate or inadequate?
   (b) Prob: Are they effectively regulated?
6. Can the imposition of more stringent regulation improve the quality of corporate social responsibility in the country?
7. What opportunities and challenges are faced by your company in the business, political, and sociocultural environment; if any,
   (a) Prob: what are their impacts on social responsibility of your business?

Guided Interview Questions with Regulatory Authorities

1. What is the role of your institution?
2. How are you promoting the acceptance and promotion of CSR in Pakistan?
3. Are there any instruments which set standards for corporate social responsibility in Pakistan?
(a) If so, what are there? Please provide a copy if available.
4. Do you think the regulatory approach in Pakistan meet the requirements of Pakistani business environment?
5. Do you think history, culture, traditions and religion have an influence on formulating regulations in Pakistan?
6. What are the key issues and challenges for implementing corporate regulation in Pakistan?
7. Can you quote any incidents (without name) when the regulatory body prosecuted or acted against irresponsible conduct?
8. What do you think about the following issues in Pakistan concerning corporate regulation;
   1. Compliance and enforcement
   2. Capacity of regulators
   3. Political influences and influential citizens
   4. Exit via protection and connection
   5. Corruption

Appendix G: Statements of Contribution (DRC16)

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

Khan, M., Lockhart, J. C., & Bathurst, R. J. (2019). *Decoupling CSR: Getting beyond the 'what' to 'why'*. Paper presented at the 35th EGOS Colloquium 2019 Enlightening the Future: The Challenge for Organisations, Edinburgh, UK.

In which chapter is the Manuscript/Published Work: 2

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper provides the overall literature review on institutional theory, decoupling, and the decoupling between CSR reporting and actual practice. The paper highlights

strengths of institutional theory to tackle social issues. Finally, recent attacks on institutional theory for it neglect of power are critiqued. I presented this paper at the 35th European Group of Organisational Studies (EGOS) Colloquium 2019 Enlightening the Future: The Challenge for Organisations, Edinburgh, UK. However, this version of the paper is substantially edited to meet the narrative of all the papers contained in this thesis.

For manuscripts intended for publication please indicate target journal:

Paper presented at the 35th European Group of Organisational Studies (EGOS) Colloquium in 2019. Currently, this Chapter is under Revised and Resubmission from Business and Society Review journal, which is Ranked B on ABDC.

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

Khan, M., Lockhart, J. C., & Bathurst, R. J. (2018). *Content analysis of corporate social responsibility disclosures: An assessment of approaches.* Paper presented at the 32nd Australian and New Zealand Academy of Management (ANZAM) Auckland, New Zealand.

In which chapter is the Manuscript/Published Work: 3

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper explains methodology that underpins the thesis. I started with the philosophical positions of a multi-methods research. Then, I moved to explaining four sources of data quantitative content analysis, interviews, originality checks and discourse analysis. This paper was first presented at 32nd Australian and New Zealand Academy of Management (ANZAM) Auckland, New Zealand in 2018. However, I edited the paper to suit all the methods of data collection used in the thesis. These edits were made under the guidance of m supervisors.

For manuscripts intended for publication please indicate target journal:
Paper presented at the 32nd Australian and New Zealand Academy of Management (ANZAM) Auckland, New Zealand

Candidate's Signature:
Date:

Primary Supervisor's Signature:
Date:

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

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Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

Khan, M., & Lockhart, J. (2019). Embedding corporate social responsibility into business practice: Lessons learned from New Zealand. In G. Eweje & R. J. Bathurst (Eds.), *Clean, green and responsible? Soundings from Down Under* (pp. 87–105). Cham, Switzerland: Springer International Publishing.

In which chapter is the Manuscript/Published Work: 4

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

I wrote this chapter to explain CSR and institutional arrangements in New Zealand — both regulatory and informal. Through this chapter, I learned about tightly coupled context, where societal norms are strong and little tolerance of corporate wrongdoings — and businesses go beyond the regulatory requirements or checkbox policy to fill the legal vacuum of governance. This chapter is published in the book Clean, green and responsible? Soundings from Down Under (chapter 6), along with my principal supervisor — James Lockhart.

For manuscripts intended for publication please indicate target journal:

Published in the book Clean, green and responsible? Soundings from Down Under

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

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Statement of Contribution Doctorate with Publications/Manuscripts

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Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

Khan, M., Lockhart, J. C., & Bathurst, R. J. (2018). Institutional impacts on corporate social responsibility: A comparative analysis of New Zealand and Pakistan. *International Journal of Corporate Social Responsibility, 3*(1), 1–13.

In which chapter is the Manuscript/Published Work: 5

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper explores the relationship between cross-cultural institutional mechanism and CSR reporting in both New Zealand and Pakistan. Taking identical sample of eight companies across both countries, the results of content analysis highlight that companies

in Pakistan report more than those in New Zealand. This finding led me to the idea of

decoupling between the reporting and actual performance of CSR. I presented this paper

first at 4th International Conference on CSR, Sustainability, Ethics & Governance,

Perth, Australia. After incorporating the feedback from conference participants, the

paper was published in International Journal of Corporate Social Responsibility.

For manuscripts intended for publication please indicate target journal:

Published in International Journal of Corporate Social Responsibility

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

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DRC 16

Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

A multi-level institutional perspective of corporate social responsibility reporting: A mixed-method study (Under review with Journal of Cleaner Production)

In which chapter is the Manuscript/Published Work: 6

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper examines the institutionalization of CSR reporting in Pakistan. Drawing on mixed-methods, I first conducted the quantitative content analysis of CSR disclosures of

29 listed companies over four periods (2001, 2006, 2011 & 2017 – five-yearly intervals), later I conducted in-depth on0site interviews with the managers to better understand the perceptions and drivers behind CSR reporting. Recently, we received first revisions on this paper from the Journal of Cleaner Production. The paper has James Lockhart (principal supervisor) and Ralph Bathurst (co-supervisor) as co-authors in the paper.

For manuscripts intended for publication please indicate target journal:

Journal of Cleaner Production

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

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Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

The institutional analysis of CSR: Learnings from an emerging country

 (Submitted to Emerging Markets Review)

In which chapter is the Manuscript/Published Work: 7

Please indicate:

•   The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper examines the internal and external institutional dynamics of CSR praxis in Pakistan. In-depth interviews with a variety of stakeholders are conducted to explain how and why institutional arrangements influence the practice of CSR in an emerging country. This paper has recently been accepted to the special issue of *Emerging Markets Review — corporate social responsibility, corporate governance, and corporate policies in emerging markets*. The paper was comprehensively revised twice after the peer review. The paper has James Lockhart (principal supervisor) and Ralph Bathurst (co-supervisor) as co-authors in the paper.

For manuscripts intended for publication please indicate target journal:

Emerging Markets Review

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

Thinking with the mouth: Decoupling the walk and talk of corporate social responsibility (Submitted to Business & Society)

In which chapter is the Manuscript/Published Work: 8

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper is motivated by the lack of originality in CSR reports and assesses the extent and pervasiveness of CSR decoupling in Pakistani context. This is the paper where I

introduced the used of Turnitin^{TM} and TinEye^{TM} as tools to check originality in CSR reports. The paper was first submitted to a special issue of Journal of Business Research — Hypocrisy in corporate and individual social responsibility: Causes, consequences and implication. Unfortunately, the paper was rejected but I received extensive comments from the editor and two anonymous reviewers in terms of theoretical contributions and significance of Pakistani context. Additionally, earlier version of this paper was presented at Australian Business Ethics Conference (ABEN) conference at RMIT University, Melbourne, Australia in 2017. Thanks to their commentary, I have heavily revised the paper and submitted to Accounting, Organisations and Society, with James Lockhart (principal supervisor) and Ralph Bathurst (co-supervisor) as co-authors.

For manuscripts intended for publication please indicate target journal:

Business & Society

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date:

MASSEY UNIVERSITY
GRADUATE RESEARCH SCHOOL

Statement of Contribution Doctorate with Publications/Manuscripts

We, the candidate and the candidate's Primary Supervisor, certify that all co-authors have consented to their work being included in the thesis and they have accepted the candidate's contribution as indicated below in the Statement of Originality.

Name of candidate: Majid Khan

Name / title of Primary Supervisor: Dr. James Lockhart

Name of Research Output and full reference:

The pervasiveness of CSR decoupling: Appearances are deceptive submitted to EGOS conference 2020

In which chapter is the Manuscript/Published Work: 9

Please indicate:

• The percentage of the manuscript/Published Work that was contributed by the candidate; and

• Describe the contribution of the candidate has made to the Manuscript/Published Work:

This paper provides the overall discussion of the papers contained in the thesis. The paper discusses in detail the theoretical and methodological contribution of the thesis. Additionally, overall conclusion, policy and future research implication are provided

here. I recently submitted a short paper to the 36th EGOS Colloquium Organizing for Sustainable Future: Responsibility, Renewal & Resistance based on this chapter. I have done majority of the work on this paper, while my principal supervisor and co-supervisor provided feedback for improvement.

For manuscripts intended for publication please indicate target journal:

I am going to present this paper at the 36th European Group of Organisational Studies (EGOS) Colloquium Organizing for Sustainable Future: Responsibility, Renewal & Resistance, in July 2020, virtually. As the conference in Hamburg, Germany has moved online due to Corona Virus pandemic in the world.

Candidate's Signature:

Date:

Primary Supervisor's Signature:

Date: