

**HOW ACCOUNTANTS OF KENYAN LISTED COMPANIES PERCEIVE AND
CONSTRUE THE INTENTION TO DISCLOSE SOCIAL RESPONSIBILITY
INFORMATION**

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ABSTRACT

This study aimed to examine the Corporate Social Disclosure (CSD) practices of listed companies in Kenya, and the perception, constructs and intentions of accountants to disclose social responsibility information. This study was exploratory in nature. Current CSD practices of listed companies in Kenya were expected to be brought out through the use of disclosure indices and determine how accountants perceive and construe CSD, through the use of repertory grid technique. In order to calculate the disclosure index, data were obtained from the annual reports of the respective companies. The indices were then regressed against different company characteristics and corporate governance variables that affect CSD to determine which variables influence disclosures and which do not. In the case of repertory grid, interviews were conducted with accountants from both low disclosure and high disclosure companies. The repertory grid data were analysed in two stages: individual cases analysis and cross-cases analysis. The individual case were analysed using the principal component analysis. For the cross-cases analysis, content analysis was used to categorize constructs based on their expressed meaning. The findings indicate that CSD has increased over the years for all the companies that were studied. The themes disclosed varied according to size, profitability, liquidity, ownership of the company and the industry in which the company operates. It was also found that the reputation of the company is the main motivation for high disclosure companies to disclose social responsibility information. Low disclosure companies are mainly motivated by institutional factors. It is recommended that regulation and standardisation of CSD can make it more useful for decision-making by various stakeholders.

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Research Thesis Submission

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TABLE OF CONTENTS

ABSTRACT	ii
ACKNOWLEDGEMENTS	iii
Research Thesis Submission	iv
TABLE OF CONTENTS	vi
LIST OF FIGURES	x
LIST OF TABLES	x
CHAPTER 1 : INTRODUCTION	1
1.1 Aim	1
1.2 Background and Organizational Context and Rationale	1
1.3 Theoretical Overview	2
1.4 Research Focus	3
1.5 Objectives of the Study	3
1.6 Research Methodology	4
1.7 Sample Design and Data Collection Process	5
1.8 Significance	5
1.9 Outline of Thesis	6
CHAPTER 2 : LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Corporate Social Responsibility	8
2.2.1 Introduction	8
2.2.2 Definitions	8
2.2.3 History of CSR	10
2.2.4 Corporate responsibility and accountability	13
2.3 Corporate Social Disclosures	15
2.3.1 Introduction	15
2.3.2 Definitions	16
2.3.3 History of CSD practice	17
2.3.4 Assumptions of CSD	19
2.3.5 Consequences of CSD	20

2.3.6	Challenges of CSD	20
2.3.7	CSD themes	21
2.3.8	Motivations for CSD	26
2.4	CSD Theories.....	37
2.4.1	Introduction.....	37
2.4.2	Agency theory.....	38
2.4.3	The Political economy theory.....	38
2.4.4	The legitimacy theory.....	40
2.4.5	The stakeholder theory	41
2.4.6	The institutional theory.....	43
2.4.7	The marketing theory.....	45
2.4.8	The social contract theory.....	46
2.4.9	The accountability theory.....	46
2.4.10	Combination of theories.....	47
2.4.11	Conclusion	47
2.5	Constructionism	48
2.5.1	Definition.....	48
2.5.2	Individual Constructionism.....	48
2.5.3	Social Constructionism	50
2.5.4	Problems with Social Constructionism.....	51
2.5.5	Personal Construct Theory.....	52
2.7	Conclusion	54
CHAPTER 3 : LITERATURE SYNTHESIS, BASIC THEORY AND FRAMEWORK OF ANALYSIS.....		55
3.1	Synthesis of Literature Review	55
3.2	The Basic Theory	61
3.3	The Research Questions.....	61
3.4	The Research Aim and Objectives	62
3.5	The Research and Operational hypotheses	62
3.6	Overview of the Framework of Analysis	64
3.7	The need for CSD studies in Kenya.....	65
3.8	Conclusion	65

CHAPTER 4 : RESEARCH METHODOLOGY.....	66
4.1 Introduction.....	66
4.2 Mixed Methods Approach.....	66
4.3 Research Design	66
4.3.1 Disclosure Index	67
4.3.2 Repertory grid technique	71
4.4 Sample Design and Details of Data Collection Process	74
4.5 Research Ethics.....	75
4.6 Conclusion	75
 CHAPTER 5 : PILOT STUDY.....	 77
5.1 Introduction.....	77
5.2 Disclosure Index Technique.....	77
5.2.1 Method	77
5.2.2 Conclusions and implications for the main study	79
5.3 Repertory Grid Technique	79
5.3.1 Method	80
5.3.2 Data Analysis	80
5.3.3 Results	82
5.3.4 Outcomes for methodology	86
5.3.5 Conclusion	87
 CHAPTER 6 : FINDINGS AND ANALYSIS	 88
6.1 Introduction.....	88
6.2 Disclosure Index Technique.....	88
6.2.1 Introduction.....	88
6.2.2 Trends in Social Disclosure	89
6.2.3 Descriptive statistics.....	91
6.2.4 Tests of Collinearity between the independent variables	92
6.2.5 Heteroscedasticity and autocorrelation.....	93
6.2.6 Multivariate analysis	93
6.2.7 Conclusion	95
6.3 Repertory Grid Interviews.....	95

6.3.1	Introduction.....	95
6.3.2	Content Analysis.....	97
6.3.3	Honey's (1979) technique	100
6.3.4	Principal component analysis.....	102
6.3.5	Element analysis.....	104
6.4	Conclusion	106
CHAPTER 7 : DISCUSSION AND CONCLUSIONS		107
7.1	Introduction.....	107
7.2	Empirical Outcomes of the Disclosure Index technique	107
7.3	Empirical Outcomes of the Repertory Grid Interviews	113
7.4	Implications of the Study.....	118
7.4.1	Implication for practice	118
7.4.2	Implications on theory	120
7.5	Recommendations	121
7.6	Limitations of the Study	121
7.7	Further Research	123
7.8	Conclusions.....	123
REFERENCES		124
APPENDIX A: DISCLOSURE INDEX CALCULATION		160
APPENDIX B: REPERTORY GRIDS		162
Appendix B.1: High Disclosure Company		162
Appendix B. 2: Low Disclosure Company		163
APPENDIX C: CLUSTER ANALYSIS.....		164
Appendix C.1: High Disclosure Company		164
Appendix C.2: Low Disclosure Company		165
APPENDIX D: PRINCIPAL COMPONENT ANALYSIS.....		166
Appendix D.1: High Disclosure Company		166
Appendix D.2: Low Disclosure Company.....		167
APPENDIX E: CONSTRUCTS SUMMARY		168
APPENDIX F: CONTENT ANALYSIS SUMMARY		169
APPENDIX G: HONEY TECHNIQUE		170
APPENDIX H: PEARSON AND SPEARMAN CORRELATION COEFFICIENTS		171

APPENDIX I: CONTENT ANALYSIS INTER-CODER RELIABILITY TEST	173
Appendix I.1: Phase 1	173
Appendix I.2: Phase 2	174
APPENDIX J: CONTENT ANALYSIS	175
APPENDIX K: HONEY TECHNIQUE INDICES – MAIN STUDY	176
APPENDIX L: RATINGS OF “INFLUENCE DISCLOSURE CONSTRUCT”	182
Appendix L.1: High Disclosure Group Ratings of “Influence Disclosure” Construct	183
Appendix L.2: Low Disclosure Group Ratings of “Influence disclosure” Construct.....	184

LIST OF FIGURES

Fig. 5.1: Disclosure Indices of the 20 Companies	79
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LIST OF TABLES

Table 2.1: CSD Themes.....	22
Table 2.2: Empirical Studies on Motivations for CSD.....	34
Table 4.1: Descriptions of the Regression Model Variables	70
Table 6.1: Distribution of the Industrial Sectors of the Studied Companies	88
Table 6.2: Average Disclosure Index	89
Table 6.3: Disclosure Index by Themes	90
Table 6.4 : Descriptive Statistics	91
Table 6.5: Collinearity Statistics	92
Table 6.6: Regression Results	94
Table 6.7: Disclosure Indices and Industry Categories of the Studied Companies	96
Table 6.8: Content Analysis (Super-Categories)	98
Table 6.9: Content Analysis (Categories).....	99
Table 6.10: Summary of Honey Technique Indices	101
Table 6.11: Summary of First Two Components (percentage variance) by Group	103
Table 6.12: Themes of the First Two Constructs Loading on the First Component	104
Table 6.13: Summary of the “Influence disclosure” Construct Ratings.....	105

CHAPTER 1 : INTRODUCTION

1.1 Aim

This research study aimed at examining perceptions, constructs and intentions of accountants to disclose social responsibility information. The central purpose of the research was to determine whether accountants recognize the concept of CSD, whether they were able to describe the CSD practice in their organizations, whether they consider CSD valuable to the organization and what factors they consider important in influencing the extent of disclosure of CSD. Additionally, the study tried to determine the relationship between the extent of disclosure and different company and corporate characteristics variables that affect disclosure of social responsibility information. The main aim of the research was premised on the fact that considerable research has been done on the variables that affect CSD but very little has been done to know the perceptions, constructs and intentions of accountants. It is knowledge of what the accountants think about CSD that can help in policy intervention. This study was therefore an attempt to bridge this gap.

1.2 Background and Organizational Context and Rationale

There is a growing global concern about the impact of businesses on society. This has mainly been brought about by the increasing concern of the influence businesses on the environment and the issue of climatic change. Society also expects more from the businesses than it did before. Businesses are now expected to be transparent and accountable, and that they should be involved in promoting societal wellbeing. This has led companies to have a need to inform society of what they are doing, which in turn has led to the development of Corporate Social Disclosure (CSD) practice.

Traditionally accounting has only tried to respond to the needs of a few stakeholders, mainly the shareholders. However, in the recent past it has become necessary for companies report their effects on other stakeholders as well. This has become necessary because companies may try to meet the needs of a few stakeholders at the expense of other stakeholders. CSD is therefore important because it is a means by which companies account for their impact on all stakeholders.

CSD refers to information that is provided by a company about its interactions with society (Branco & Rodrigues, 2006). CSD also refers to voluntary reporting of social and environmental information of a company's interactions with different stakeholders (Chan, 2002; Lim, Talha, Mohamed, & Sallehuddin, 2008). Companies may be involved in CSD so as to discharge a moral duty, gain competitive advantage, report the company's performance, improve the company's image (Buhr, 2007), and influence the external perceptions of the company (Deegan, 2002). Most of the studies indicate that CSD has been increasing over the years (Ratanajongkol, Davey, & Low, 2006). However, not all companies have embraced it (Gray & Bebbington, 2007) and its development has been somewhat slow and piecemeal (Ratanajongkol et al., 2006).

Due to the fact that the CSD practice is largely unregulated and therefore not standardized, it has not developed similarly in different regions of the world (Salama, Cathcart, Andrews, & Hall, 2006). Studies have shown that there are more social disclosures in the developed countries as compared to the developing countries and that the themes emphasized differ even in the developed countries. This study was, therefore, important to determine the level of CSD practice in Kenya and also examine why it is practised in the way it is. Examining accountants' perceptions and constructs in relation to CSD was meant to help in explaining why the practice is as it is.

1.3 Theoretical Overview

The theoretical framework of this study is based on the fact that communities are becoming more aware of the importance of non-economic issues, how companies deal with this new focus and how companies can benefit from additional disclosures (Hassan, 2010). Three main theories can help explain these issues: the legitimacy theory, the stakeholder theory, and the agency theory. The legitimacy theory is currently the dominant theoretic construct in CSD research (Deegan, Rankin, & Tobin, 2002). The legitimacy theory is based on the premise that companies have a right to exist and that this right is deserved by acting in accordance with expectations of the society of which it forms a part (Dowling & Pfeffer, 1975). Firms disclose information in order to show that they conform to the expectations of society (Momin, 2006). The main argument of the stakeholders' theory is that there are wider groups of stakeholders in a company other than shareholders and other investors

(Sternberg, 1997). CSD is a means by which the company can inform the different stakeholders on its impacts on them. Lastly, the agency theory tries to explain the conflict that can arise between the management on one hand and the owners on the other. The agency problem leads to information asymmetry where the management has more information about the company than the owners (Thakor, 1993). One way of dealing with the information asymmetry problem is good corporate governance practice (Melis, 2004). The other way is by disclosure of more information (Narayanan, Pinches, & Kelm, 2000).

1.4 Research Focus

There is a lot of variability in the CSD practices across the world mainly because CSD is still largely voluntary and unstandardized. It is, therefore, important to identify the motivations that drive the disclosure of social information. This can be done by identifying constructs that can help in understanding why companies disclose CSD. This is the reason why the focus of this study was to gain a deeper understanding of the CSD practices in Kenya through a construction approach.

This study compared the perceptions of CSD by accountants of high disclosure companies to those of the low disclosure companies. This was necessary in order to establish whether accountants in the high disclosure companies construed CSD differently from accountants in low disclosure companies. It would have been logical to compare the ‘public expression’ of CSD as revealed in the company reports with the ‘private perceptions’ of CSD by the accountants in the research. However, this was not done because it would not be the focus of this study.

1.5 Objectives of the Study

The purpose of the study was to determine the extent of CSD in Kenya, the relationship between the extent of disclosure and different variables that affect disclosure of voluntary information, and the accountants’ perceptions and constructs in relation to variables they consider important in influencing the extent of CSD.

The objectives of the study were:

1. To determine the level of CSD in Kenya.

2. To determine company and corporate governance variables that influence the CSD practice in Kenya.
3. To determine the accountants' perceptions and constructs in relation to CSD practice in Kenya.

Determining the level of disclosure as used in objective 1 means determining the extent to which companies disclosed social responsibility information. This was measured by use of a disclosure index in which a company could score between 0% if it did not disclose social responsibility at all and 100% if it disclosed all social responsibility items expected, based on findings generated in a pilot study.

Objective 2 and 3 are related in the sense that it was important to understand the practice of CSD before understanding accountants' perceptions and constructs in relation to CSD. It was therefore of interest to see whether there was some congruence between the way the CSD is practised and what how accountants perceive and construe it. A lot of CSD studies have concentrated on answering the question how but not why (Mahadeo, Oograh-Hanuman, & Soobaroyen, 2011). This study therefore tries to determine how CSD is practised in Kenya and why it is practiced in the way it is. Therefore objective 2 and 3 are important for one to understand fully the practice of CSD.

1.6 Research Methodology

This study was exploratory in nature. This is because, though many studies on CSD have been carried out in the developed countries, very little has been done in developing countries and very few studies have been done in relation to sense-making and CSD. In this study, responses from respondents from high disclosure companies and from low disclosure companies were compared and theoretical propositions were tested to see whether there were differences in the constructs of the two categories of companies.

The main data collection techniques for this study were: the disclosure indices and repertory grid interviews. The disclosure index technique helped in determining the extent of CSD in Kenyan firms and which variables affected CSD while the repertory grid method helped in determining how accountants made sense of CSD.

Quantitative data, both longitudinal and cross-sectional, derived from annual reports was used to calculate the disclosure indices. Both company and corporate governance characteristics were regressed against the disclosure index in order to determine which variables affected CSD and which ones did not.

For the repertory grid technique, 3 companies with high CSD disclosure indices and 3 companies with low CSD disclosure indices were used. The two categories were important in order to make a contrast between companies with high disclosures and those with low disclosures. The main respondents were the chief accountants of the firms. The repertory grid data were analysed in two stages: individual case analysis and cross-cases analysis. The individual cases were analysed using the principal component analysis. For the cross-cases analysis content analysis was used to categorize constructs based on their expressed meaning.

1.7 Sample Design and Data Collection Process

In the disclosure index technique, all the 54 companies listed on the Nairobi Securities Exchange (NSE) were considered. The study involved analysing reports of the years 2006 to 2011. This is in order to allow for longitudinal analysis of data. The annual reports were used to calculate the disclosure indices and also derive company and corporate governance characteristics.

In the repertory grid technique, 3 from the high disclosure group and 3 from the low disclosure group were used. In each company 5 respondents were interviewed. The total number of the respondents was, therefore, 30: 15 from the high disclosure and 15 from the low disclosure. This sampling was selected to be in line with the comparative case study design used for this study.

1.8 Significance

The study has made a contribution on the relationship between company and corporate governance characteristics and CSD based on longitudinal analysis of data. The researcher is not aware of any such study done in Kenya.

The research has also contributed to accounting research by using the repertory grid technique of data collection instead of in-depth interviews. This technique has not been widely used in CSD research.

It has generated information that can help various stakeholders make sense of the corporate social information presented in the annual reports of companies.

1.9 Outline of Thesis

Chapter One presents the introduction and the general overview of the thesis.

Chapter Two presents a critical review of literature related to social responsibility disclosures. It starts with a discussion of Corporate Social Responsibility (CSR) which forms the framework of the discussion of the corporate social disclosures. A discussion of corporate social disclosures follows. A discussion of the social construction concept follows because this is the main research paradigm used in this study.

In Chapter Three, literature presented in Chapter Two is synthesised, basic theory is developed, and a framework of analysis is formulated.

Chapter four presents research methodology used in this study. The research design, research paradigm and sample and sampling methods are discussed. Also discussed in this chapter are the two techniques used in this study: the disclosure index technique and the repertory grid technique.

Chapter Five presents the findings of the pilot study and their implications for the methodology used in this research.

In Chapter Six, the results of the study are presented. These results are then interpreted with reference to existing literature.

In Chapter Seven, the results and interpretations presented in Chapter Six are discussed together with their implications for theory. Also presented in Chapter Seven are the conclusions, recommendations, limitations and suggestions for further study.

CHAPTER 2 : LITERATURE REVIEW

2.1 Introduction

The literature review is done in order to provide the context and justification for the proposed research.

In this chapter the corporate social responsibility (CSR) and corporate social disclosures (CSD) concepts are discussed. Also discussed are the CSD themes and determinants. In addition literature on various theories that inform the CSD practice is reviewed.

The chapter ends by discussing constructionism and the Personal Construct Theory (PCT).

2.2 Corporate Social Responsibility

2.2.1 Introduction

In the recent years, there has been an increase in interest of corporate social responsibility issues such as environmental degradation and pollution (Cintra, Carvalho, & Perlingeiro, 2008). This interest has been brought about by the increased societal expectations of firms to do more than just make profits.

2.2.2 Definitions

There has not been an exact definition of Corporate Social Responsibility probably because corporate social responsibility is a concept that has different meanings to different people (Matten & Moon, 2008). For example, traditionalists such as Friedman (1970) argue that the sole responsibility of firms is profit maximization and firms do not have a responsibility to other stakeholders other than shareholders. The view of managers has however changed in the recent past and some studies have shown that majority of managers do not believe that the role of business is only an economic one and seem to believe that there are more stakeholders than just the shareholders (McKinsey & Company, 2006). This is probably why recent evidence seems to indicate that firms are now taking responsibility for actions that were hitherto considered government responsibility (Matten & Crane, 2005).

One of the simplest definitions of corporate social responsibility (CSR) is by Jamali (2008) who defines it as the commitment of business organizations to sustainable development, different stakeholders' concerns and improvement of the societal conditions. It has also been defined as the obligation of firms to use resources sustainably for optimal benefit to the society (Snider, Hill, & Martin, 2003) or the commitment of business to sustainable economic development of the society (World Business Council for Sustainable Development [WBCSD], 2001).

One can see the understanding of the concept of CSR change from the various changes in the definitions over a period of time. Friedman (1962) defined it narrowly from an economic perspective; Carroll (1979) expanded it to include in addition to economic perspective, legal, ethical and discretionary responsibilities; and Hemphill (2004) brought in the issue of corporate citizenship.

Mahon and McGowan (1991) have defined CSR to include behaviour and actions that serve to improve the welfare of the society beyond merely profit making. Kotler and Lee (2005, p. 3) say that CSR is "a commitment to improve community well-being through discretionary business practices and contribution to corporate resources". Basu and Palazzo (2008, p. 124) say CSR is "the process by which managers within an organization think about and discuss relationships with stakeholders, as well as their roles in relation to the common good, along with behavioural disposition with respect to the fulfilment and achievement of those roles and relationships".

Gray, Owen and Maunders (1987, p. ix) define CSR as "the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders".

From the above definitions, it is clear that CSR has had different meanings to different people. Lack of clear definition for CSR has made Frankental (2001) say that CSR is ineffective because it has no meaning and is vague and therefore intangible. It, however, seems that majority of authors agree that firms have obligations beyond the ones they have towards the shareholders. This understanding that firms have responsibilities beyond the economic one is the one that the researcher adopts in approaching this study.

2.2.3 History of CSR

Though the idea of CSR is not new and has a long and varied history, the interest of academicians emerged recently. The notion that businesses have obligations beyond the economic and legal obligations can be traced to the early twentieth century (Carroll, 1999). One of the earliest writers on CSR was Clark who in 1916 indicated that business had extra responsibilities other than those recognized by law (Clark J. , 1916). Another notable early contributor to the subject of CSR was Drucker (1942) who argued that businesses had a social dimension in addition to the economic dimension. Bowen (1953) sparked the modern literature on CSR by saying that a business had an obligation to pursue policies that contributed to the objectives and values of the society.

In the 1960s, the literature on CSR grew tremendously and the concept was stated more accurately. For example, Davis (1960) defined social responsibility as decisions and actions of businesses taken not for the firm's direct economic benefit. Around the same time, Frederick (1960) said that businesses are expected to meet the public's expectations in the way they manage their companies. In contributing to the field of CSR, McGuire (1963) says that business have obligations to society in addition to economic obligations.

In the 1970s, CSR was more specifically defined. For example Johnson (1971, p. 50) defines a socially responsive firm as one "whose managerial staff balance a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation". Johnson's definition in mentioning multiplicity of interests hints at stakeholder approach in the management of business. Further contribution to the subject of CSR is made by the Committee for Economic Development where three concentric circles are used to describe the responsibility of businesses (Committee for Economic

Development [CED], 1971). The inner circle represents the economic responsibility which is mainly towards the stockholders, the intermediate circle represents the business responsibility to be aware of the changing social values in exercising their economic function; and the outer circle represents the businesses responsibility to improve social welfare.

Other contributors to CSR literature are Eilbert and Parket (1973) who looked at social responsibility from a “good neighbourliness” point of view, where businesses are not expected to spoil the neighbourhood and could also voluntarily assume obligations for the neighbourhood problems. This is a further recognition that though their main responsibility is an economic one, firms have obligations to other stakeholders as well which also need to be fulfilled.

The current thinking on CSR has been largely shaped by contributions from three writers: Sethi (1975), Carroll (1979) and Wood (1991). According to Sethi (1975, p. 62) “...social responsibility implies bringing corporate behaviour up to a level where it is congruent with prevailing social norms, values and expectations of performance”. By introducing the issue of firm’s performance, Sethi’s definition has the implication that a firm should balance its economic and societal responsibilities.

Carroll (1979) adds to Sethi’s definition by referring to the societal expectations as non-economic responsibilities. Non-economic responsibilities include legal, ethical and discretionary responsibilities (Carroll, 1979). Economic responsibilities are those that the business has towards its shareholders; legal responsibilities include complying with government regulations; ethical responsibilities are not defined by formal law but are expected by the society; and discretionary responsibilities are voluntary and philanthropic (Carroll, 1991; Momin, 2006). Carroll (1991) came up with the CSR pyramid model where the economic responsibilities are placed at the bottom indicating that this is the main responsibility of any firm, followed by legal responsibilities, ethical responsibilities, and finally the philanthropic responsibilities. This model seems to emphasize the relative importance of the different aspects of CSR, and also the fact that these responsibilities are to some extent in conflict. This conflict may arise due to the fact that different stakeholders

have different expectations from the firm. This model seems to express the same priorities as those expressed by the CED (1971) concentric model.

Woods (1991), in a bid to help in measuring Corporate Social Performance (CSP), explored and developed a more systematic measurement system for CSR. The term corporate social performance (CSP) emerged to help in measuring how corporations impact on societal needs (Sethi, 1975).

The current dominant thinking in CSR is that of a good corporate citizen (Hemphill, 2004). Corporate citizenship is defined as the extent to which economic, legal, ethical and discretionary responsibilities imposed by its stakeholders are met by a firm (Carroll, 1979). According to Heineman (2005, p. B2) citizenship requires a “rigorous, unwavering compliance with the law”. Citizenship also requires strict adherence to capital performance, integrity, energy conservation, quality judgments, committed to financial standards and to increase and reduce emission of greenhouses gases (Heineman, 2005). Firms are therefore expected to be good citizens operating within the norms of society, which requires that their operations should not impact negatively on others; and in case they do, remedial actions are taken. Firms are also expected as good citizens to contribute to the welfare of the society.

Not everyone has, however, supported the idea that businesses have social responsibilities beyond the economic one. Notable in this category is Friedman (1970) who argues against the idea of firms having responsibility to stakeholders other than the shareholders. In an article published in the *New York Times* of 13th September 1970, Milton Friedman says that business only responsibility is to use its resources to create profits.

The basic idea behind Friedman’s article is that corporate responsibility is solely about making profits. Friedman’s argument is not to reject that a firm should be socially responsible; but is of the view that the social responsibility of the business is solely for self-interest (Crane & Matten, 2004). According to Friedman (1970), a business should maximize profits within the regulatory framework set by society. Friedman’s sentiments sparked controversial debates with some supporting his views and others opposed to them. For example, those who support these views argue that there has not been found a positive relationship between CSR and financial performance (Aupperle, Carrol, & Hatfield, 1985;

Agle, Mitchell, & Sonnenfeld, 1999). Those who are opposed to Friedman's view argue that there are indeed moral reasons for businesses to exist because businesses do affect the society (Davis, 1973). In supporting the social responsibility of business for moral reasons, Clark C. (2000) and Shocker and Sethi (1974) are of the opinion that business and society are interdependent and therefore there is a social contract existing between them.

From the foregoing it is clear that there has not been a universal acceptance of what CSR is and the concept is still evolving. On one extreme are those who believe that the main responsibility of the firm is an economic one; on the other extreme are those of the view that firms are expected to be good corporate citizens and therefore should be socially responsible. In this research, the view that a company should be a good corporate citizen is adopted. This is because firms' expect certain rights from the society; consequently they should also shoulder responsibilities towards the society.

2.2.4 Corporate responsibility and accountability

The moral attribute that makes people believe that they have a duty to others is called responsibility (Helkama, 1981). Responsibility implies a relationship between two parties, where one party is expected to act in a certain way such that the expectations have an authoritative and binding character (Fisscher, Nijhof, & Steensma, 2003). Responsibility can be taken to mean actions that are expected as a result of either an implied or an explicit contract, and that do not have purely financial implications (Gray, Owen, & Maunders, 1987). In recent times there has been recognition that firms have implied contracts with many stakeholders because their actions impact on society in one way or another. This notion can be demonstrated by the fact that there has been an increased recognition of firms' responsibility towards various stakeholders (Crowther, 2004). Corporate social disclosure (CSD) practice has emerged due the need for the firms to demonstrate that they recognize their implied contracts with the society, and that they are doing something about it.

The way a company responds to social pressures is called its corporate social responsiveness (Frederick, 1986). Reaction, defence, accommodation and proactive

recognition are some of the strategies used by companies to address responsibilities (Carroll, 1979). Companies usually shift their responsiveness strategy in order to control the public perception of the company (Crane & Matten, 2004). The various ways companies respond to social responsibility have become more pronounced in literature than the moral issue of responsibility (Momin, 2006). Firms are likely to use CSD to show responsiveness even though they feel that they are hurting their main responsibility to shareholders. This is the reason why this study examines not only the extent of CSD and factors that affect the disclosure levels, but also the perceptions, constructs and intentions of accountants. As noted earlier, the different responsibilities of a company are in conflict. This conflict arises because managers attach different meanings to different aspects of CSR, because they have different interests and responsibilities that are sometimes in conflict with the interests of other stakeholders (Behman & MacLean, 2011). *This study has, therefore, tried to bring out the different meanings attached by managers to different aspects of CSR and CSD.*

Accountability can be seen to mean the same thing as responsibility (Momin, 2006). However, there are those of the opinion that the two words can have different meanings depending on the context in which they are used (Bendell, 2004). The word accountability seems to give society more power in determining the behaviour of corporations while the word responsibility seems to have a connotation of voluntary behaviour (Bendell, 2004). Accountability, therefore, implies that companies are obligated to act in the best interests of the society and must therefore provide answers for their own actions (Gray, Owen, & Adams, 1996). To understand the nature and extent of a corporation's accountability, managers must rely on some understanding of the role the corporation has in the society (Buhr, 2001). According to Gray et al. (2001) accountability has two responsibilities: for action and for provision of accounts of those actions.

CSD development has been fuelled by the need for firms to be socially accountable (Kaptein, 2007). The self-regulating capacity of companies in order to be socially responsible is demonstrated by the provision of social information that is largely voluntary (Zadek, 2001).

The study of CSD is therefore important because there is need to know how such companies are accountable to all their stakeholders. It is also important to know how managers perceive their responsibilities towards their stakeholders and the need to provide more information including social responsibility information.

2.3 Corporate Social Disclosures

2.3.1 Introduction

The increase in interest in CSR has led to corporations adopting the practice of disclosing information on their social responsibility performance due to different stakeholders' demand for accountability (Vemuri, 2008; Hopwood, Unerman, & Fries, 2010). These reports are meant to communicate that companies are taking on higher responsibilities and adhering to a broader set of rules (Crawford & Williams, 2010). This consequently enhances the company's image, leads to improved staff morale, enhances customer loyalty, and leads to fewer legal battles and less government legislation (ACCA, 2003).

Accountancy over the years has restricted itself to the needs of some stakeholders (mainly the shareholders) while ignoring the needs of other stakeholders. It has mainly concentrated on the needs of the industry, finance and the market (Makris, 1996). Social responsibility accounting has emanated from the need for accounting to address the needs of all the firms' stakeholders. The growth of CSD has also been influenced by the fact that in the value creation process, firms are now relying more on intangibles and intellectual assets which are not properly captured in mandatory reporting (Braam & Borghans, 2010). Social responsibility accounting is, therefore, complimentary to traditional historical accounting and helps in disclosing more information to various stakeholders.

It should be noted that though much of the CSD is voluntary (Crawford & Williams, 2010), in recent years it is increasingly being embedded in the annual reports of corporations in order to address the needs of all stakeholders (Walker, Michael, & Urmila, 2007), as well as to create public awareness on the role of corporations in the society (Ratanajongkol et al., 2006). Stakeholders are demanding more transparency from the company in order to protect their interests in the corporation (Crawford & Williams, 2010). This has become more critical due to the recent corporate scandals which have made it

evident that a company's survival and competitiveness can be endangered by a single focus on shareholder wealth maximization (Drews, 2010). Managers also have become more aware of sustainability issues and want to make their contribution which can only be supported by the availability of reliable information (Burritt & Schaltegger, 2010).

Even though CSD does not try to arbitrate the conflict between maximizing profit and fulfilling social obligations but rather merely tries to reflect the financial position, it does through the awareness it creates, influence the parties in their decision making (Makris, 1996). The use of profit as a performance measure has been criticized mainly due to the growth in the use of CSD and because of the awareness created as a result (Hackston & Milne, 1996).

2.3.2 Definitions

CSD has been defined variously in accounting literature. Most of the CSD definitions are premised on the fact that companies have other responsibilities in addition to making monies for the providers of capital. One of the earliest definitions is offered by Elias and Epstein (1975, p. 36) who defines it as the "reporting on some aspects of the business organization's social activities, performance or impact". Others have defined it as information provided by a company about its interactions with society (Branco & Rodrigues, 2006; Crawford & Williams, 2010). It has also been referred to as the reporting of social and environmental information of a company's interactions with different stakeholders (Lim et al., 2008; Crawford & Williams, 2010). These definitions can best be summed up by the definition by Gray et al. (1996, p. 3) who define CSD as "the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large".

From the above definitions, it is clear that the purpose of CSD is to enhance accountability to all stakeholders and that is probably why Gray et al., (1996) have described it as a mechanism developed to enhance the current accountability process. For this accountability to all stakeholders to be enhanced, it is important that reliable financial and non-financial information is provided. This has been recognised as the main role of CSD.

2.3.3 History of CSD practice

CSD emerged in the late 1960s and early 1970s and reached its peak in the early 1990s (Hackston & Milne, 1996). It arose mainly as a companion of the social responsibility phenomenon which was also taking root at the same time (Elmogla, 2009). The growing public awareness of the corporate role in the society led to the initial growth of CSD (Ratanajongkol et al., 2006). Enthusiasm on CSD practice, however, lasted up to about 1976 and was somewhat significantly reduced due to the recession prevailing at that time (Gray, Owen, & Maunders, 1987). The practice was probably affected by the recession because at that time it was in its infancy and managers were sceptical of its economic benefits to a firm. Since the 1990s, the practice has grown tremendously to an extent that most companies now have an aspect of social responsibility reported in their annual reports.

Researchers such as Guthrie and Parker (1990), have said that CSD has lacked a systematic practice over the years. Initially in the 1970s and early 1980s, the focus was mainly on the social dimension with little focus on the environmental dimension of accounting (Elmogla, 2009). The main focus then was reporting to employees. In the 1980s, the focus shifted to reporting on the impact of the organization on the physical environment (Gray, 1990). This shift was occasioned by the increased public awareness of environmental problems. Around this time, empirical studies on social reporting stopped being merely descriptive; they became more analytical where econometric models were developed to help explain the factors that affected CSD (Guthrie & Parker, 1990). In the mid-1990s, the focus started shifting again from environmental reporting to social responsibility reporting because it was realised that firms affected society in ways other than environmental degradation (Gray, Kouhy, & Lavers, 1995a). Around this time, researches became focused mainly on the environment, employee welfare and ethical behaviour (Elmogla, 2009).

Most of the studies indicate that focus on CSD has been increasing over the years (Ratanajongkol et al., 2006; KPMG, 2008). This can be attested by the fact that various studies have shown an increase in the inclusion of CSD in annual reports, and the number of companies now publishing social responsibility reports. CSD is now embraced by many companies worldwide and is no longer a fringe activity pioneered by the socially conscious as it was originally thought (Wheeler & Elkington, 2001). However, not all companies

have embraced it (Gray & Bebbington, 2007) and its development has been somewhat slow and piecemeal and lacks a clear theoretical framework (Ratanajongkol et al., 2006). This is probably because production of CSD reports can be very costly (Hutchison & Lee, 2005). Other reasons could be because social reporting can bring about negative consequences (Owen, Swift, & Hunt, 2001). Such consequences include increase government regulation to due disclosures (Wagenhofer, 1990) and could alienation certain stakeholders (Hess & Dunfee, 2007).

Companies may be involved in CSD so as to discharge a moral duty, gain competitive advantage, report the company's performance, improve the company's image (Buhr, 2007) and influence external perceptions of the company (Deegan, 2002). Companies providing social and environmental information are seen to be more committed to accountability, engaging stakeholders and transparency (Commonwealth of Australia, 2002). In the case of the market, disclosures have been seen to improve competitive position, increase share value, and lead to inclusion in social indices and ethical funds (Solomon & Lewis, 2002). In the case of social, disclosures have been seen to ward off stakeholders' challenges. Disclosures have also been seen to reduce political pressure which can lead to imposition of mandatory disclosures by different authorities. CSD also demonstrates that a company appreciates social and environmental issues and makes the company recognize a greater degree of interactions and obligations associated with its activities.

According to the Global Reporting Institute [GRI] (2005), the reasons for sustainability reporting include: promoting transparency and accountability; reinforcing organizational commitments; demonstrating progress; serving as a role model for the private sector; improving internal governance; highlighting the significance of the firm as a consumer and employer in various aspects of the economy; meeting disclosure expectations and making information available for dialogue facilitation and engaging with stakeholders effectively.

Where the external expectations by stakeholders appear in conflict with the organizations' strategic objectives, managers balance the conflict by decoupling (Behman & MacLean, 2011). Decoupling involves adopting the formal organizational structure as required by the external stakeholders but divorcing those structures from the work activities such that

though the firm maintains standardized structures, its activities vary in response to practical considerations.

CSD is still largely voluntary and what is reported is dependent on the firms' discretion on what it wishes to report (Danastas & Gadenne, 2006). Annual reports are the main media for reporting financial information though CSD can also be done in other media (Zegha & Ahmed, 1990). For example many companies are now preparing an annual sustainability report (Elkington, 1997) also referred to variously as values report (Sillanpaa, 1998), integrated report (Wallage, 2000), ethics report (Adams, 2002), integrity report (Kaptein & Wempe, 2002), social report (Kaptein, 2007) and public interest report (Malone & Roberts, 1996). Such a report documents the way a company accounts for its social responsibilities (Kaptein, 2007).

The foregoing discussion indicates that CSD lacks a coherent theory and firms practise it depending on how they perceive it. This justifies a sense-making approach to the study of CSD.

2.3.4 Assumptions of CSD

There are several assumptions underlying voluntary disclosures including CSD. The first assumption is that of information asymmetry where managers are thought to have more information than other stakeholders (Healy & Palepu, 2001). This is because managers are involved in the day-to-day running of the organization while the stakeholders are not (Chew, 2004). The second assumption is that disclosure made for the intended recipient is credible (Feltham & Xie, 1992). Information held by managers is assumed to be credible and, therefore, disclosures can be made to achieve desired objectives (Chew, 2004). The third assumption is that disclosure is costly (Darrrough, 1993). The costs that are incurred due to disclosure include the costs of preparing and disseminating information to traders (Verrecchia, 1983); the loss of profits due to disclosure of competitive information (Wagenhofer, 1990); litigation costs such as costs incurred due to certain stakeholders suing the firm for not disclosing certain information (Meek, Roberts, & Gray, 1995); information processing costs (Verrecchia, 1983); bad consequences of information overload; reduction in profits due social demands; and government regulation due to more

information being disclosed in annual reports (Wagenhofer, 1990). The fourth assumption is that the benefits of disclosure outweigh the costs (Healy, Hutton, & Palepu, 1999).

Studies have shown that voluntary disclosures cause positive market outcome (Collett & Hrasky, 2005). For example, voluntary disclosures can cause a firm to have a lower cost of capital (Richardson & Welker, 2001) and in order to determine the risk premium applicable to interest rate on a bond, investors do consider disclosure policies of companies issuing the bond (Sengupta, 1998). According to Botosan and Plumlee (2002), higher disclosure levels are associated with lower equity capital costs. This implies that companies that disclose more information can access both debt and equity capital at lower costs (Collett & Hrasky, 2005). Studies have actually shown that higher disclosures are reported when a company has increased financial activities (Clarkson, Kao, & Richardson, 1999). Most of these studies have found that there is a causal relationship between company characteristics and corporate governance variables and CSD.

This is why the interest in this research is to find out why some companies disclose social information and why others do not. A sense-making approach is, therefore, necessary to help in obtaining information on the perceptions, opinions and constructs of accountants towards CSD.

2.3.5 Consequences of CSD

The main consequence of CSD is a good corporate image and reputation (Nguyen & Leblanc, 2001). The strategic actions of a company are continually evaluated by the all stakeholders indicating that reputation is a multi-dimensional concept (Espinosa & Trombetta, 2004). Reputation can be considered as those attributes that reflect the extent to which stakeholders see the company as a good corporate citizen. These attributes can best be presented through the use of CSD.

2.3.6 Challenges of CSD

One of the challenges facing CSD is the lack of generally accepted accounting principles to govern it (Gavel, 2006). Due to the lack of standards that govern their preparation, CSD reports are very difficult to audit or verify (Schater, 2004). The other challenge facing CSD

is the fact that the practice is not widely accepted particularly by funders and lenders. This may be because it is difficult to benchmark social performance (Milne & Patten, 2002) and performance indicators are also not very easy to develop (Shell, 2002). Some writers such as Swift (2001) say that CSD should be interpreted cautiously because organizations in some cases have trivialized CSD instead of using it for accountability purposes (Gray et al., 1997). It has been criticized for being self-laudatory (Hooghiemstra, 2000) and anecdotal in character (Van der Tulder & Van der Zwart, 2005), of low quality and superficial (Kohl, 2004), making it just a form of managerial opportunism (O'Dwyer, 2003) and just a ritual dance (Zadek, 2002).

Other challenges include the fact the CSD is expensive and that adequate data collection methods are complex and time consuming. Companies also lack environmental infrastructure and financial input (Elkington, 1997).

2.3.7 CSD themes

Studies have generally shown that companies across the world practise CSD. As early as 1978, a study by Ernst and Ernst (1978) on 500 Fortune US companies showed that the companies disclosed information on various social responsibility themes. Themes covered included: community activities, environment, employees, consumers, directors' information, corporate governance, Value Added Statement and other general information (Gray et al., 1995a; Craig, 2002; Momin, 2006). Trotman (1979) in a study of 100 largest Australian firms also found the presence of CSD in the annual reports. The researcher further found out that human resources and environmental issues were the most covered themes with their disclosures increasing considerably between 1967 and 1977.

Let us see the CSD themes included in annual reports of companies world-wide before we address the themes included by the Kenyan companies.

Table 2.1: Presents some of the categories and subcategories of CSD themes.

Table 2.1: CSD Themes			
Main theme	Sub-themes	Main Theme	Sub-themes
Employee	Health and safety information Provision of low cost health care Equal opportunity employment Internal advancement statistics Programs for employee training Assistance provided to employees Staff accommodation provision Staff recreational facilities provision Employees remuneration information Employee statistics Trade union information	Community activities	Donations in cash and in kind Internship programs for students Other special community related activities
		Customer and product information	Developments in company's products, Product improvement research and development expenditure Product safety Standards on product safety Research on product safety Processing and preparation of products improvement procedures Product quality
Environment and energy	Pollution laws and regulations compliance Environmental audit, system and assessment Environmental damage prevention and repair Contributions to environmental management Production of energy efficient products Research on improvement of energy utilization Energy efficiency policies	Corporate governance information	Number of directors Presence of audit committees
		General other information	Directors information Total value added Employee share Government share Providers of capital share For maintenance of assets
<p>This table is based on some studies by Gray et al. (1995a); Hackston and Milne (1996); Williams (1999); Williams and Pei (1999); Newson and Deegan (2002); Deegan et al. (2002); Hovey (2004); Ratanajong et al. (2006); Elmogla (2009); Galbreath (2010); and Al-Manum (2011).</p>			

Employee disclosures

Employee disclosures include information on a company's activities which affect employees and their employment (Elmogla, 2009). Employee disclosures are made because users of annual reports require information about the workforce and on employment policies (ASSC, 1975). Such reports contain information such as trade union information, employees' ownership of the company, average remuneration, number of employees, equal opportunities, health and safety, education and training (Gray, Owen, & Maunders, 1987; Mathews, 1993).

Andrew, Gul, Guthrie, and Teoh (1989) conducted research into 119 publicly quoted companies in Malaysia and found that only about a quarter of the companies had done any CSD, and that most of them had employees as the only theme covered. Similar findings about employees being the only theme were obtained by Guthrie and Parker (1990) in a study of the 50 largest companies in the UK, the US and Australia. However, Adams, Coutts and Harte (1995) in a study in Britain on corporate reporting of equal opportunities impact noted that most companies did not disclose any breakdown of employees by numbers, and very few indicated that they monitor the employment of minority groups. Similar results where employee disclosure was found to be the main theme were obtained by Gray Kouhy, and Lavers (1995b) and Deegan et al. (2002).

Environment and energy

Many people are now concerned about the environment. Environmental information is needed in order to show how the company impacts on the environment. Information included in environmental reports includes: energy conservation, usage and sustainability; pollution and its control; environmental audits, processes, impacts and policies; natural resources protection; and other environmental related activities (O'Dwyer & Gray, 1998).

Wiseman (1982) in a study of 26 largest companies from steel, oil, pulp and paper industry found an association between CSD and environmental performance. Deegan and Rankin (1996) showed that there was a link association between the level of environmental disclosure and environmental sensitivity of Australian companies. Companies in industries that are likely to have an impact on the environment are likely to disclose more information. Harte and Owen (1991) found that environmental reporting in the UK was

still very general. Toms (2002) found out that creation of an environmental reputation is significantly affected by disclosure of environmental policies. Tilt (1998) found that large companies in Australia disclosed more environmental information than small companies.

Community activities

Information about community activities includes: charitable donations, public welfare, health, education, and arts (Elmogla, 2009). Most social responsibility information falls into this category, if it is not employee or environmental information; it is also the least understood of the three (Gray et al., 1996). Evidence of community involvement disclosures has been recorded by Tsang (1998) and Abu-Baker and Naser (2000).

Customer and product information

The information covered in this category relates mostly to consumer satisfaction (Elmogla, 2009). Such information include: consumer complaints, consumer relations, and provision for the aged and disabled customers (Elmogla, 2009). Other information included relates to products such as utility, serviceability, and durability (Elmogla, 2009).

Corporate governance

Corporate governance is defined in the Cadbury Report as the “system by which companies are directed and controlled” (Cadbury, 2000, p. 8). According to John and Senbet (1998), corporate governance refers to the mechanical devices and structures that check the self-centred behaviour of management. It addresses the system of management and control, focusing on the duties and responsibilities of directors and the associations between management and shareholders (Hovey, 2004).

According to Kiel and Nicholson (2005), corporate governance is important for the oversight of the firm’s operations and for the firm’s strategic direction. The study of corporate governance has two dimensions (Galbreath, 2010). Firstly, it is expected to oversee the development of long-term strategy (Hossain, Perera, & Rahman, 1994), CEO hiring, information disclosure and responses to strategic issues (Finegold, Benson, & Hecht, 2007). Secondly, it is concerned with the issue of board structure (Daily, Dalton, &

Cannella, 2003; Finegold et al., 2007). The study of board structure is critical because boards that are not well structured can lead to poor performance due to non-productivity within the key information processing arms of the firm (Daily et al., 2003; Finegold et al., 2007).

Agency problems are reduced as a result of the framework corporate governance provides (Akhtaruddin et al., 2009). Studies have shown that good governance improves the quality of disclosures (Eng & Mak, 2003) and as a result of this improvement, there is reduction of information asymmetry (Francis, Khurana, & Pereira, 2005; Cormier, Ledoux, Magnan, & Aerts, 2010). For example, it has been shown that firms with good governance are likely to issue earnings forecasts voluntarily (Karamanou & Vafeas, 2005). Such disclosures have been shown to influence capital markets' participants (Collett & Hraskey, 2005; Cormier et al., 2010).

General other information

General information could include information such as directors' information and Value Added Statements. According to Samuels (1990), one method of measuring wealth is to calculate the value added. The Value Added Statement reports the value added in an organization, and how it is distributed to various stakeholders (Staden, 2003). The information contained in a Value Added Statement includes: value added, payments to employees, to government, to providers of funds; and earnings retained by the company (Hedge, Bloom, & Fuglister, 1997; Radebaugh & Gray, 2002).

Conclusion

One would be interested to assess the extent to which these themes are disclosed in financial reports of companies particularly in a developing country like Kenya. Ponnu and Okoth (2009) research was an attempt study CSD in Kenya and their findings indicated that though generally CSD was practiced in Kenya, it received only modest attention; and community involvement was the theme commonly disclosed by firms in Kenya. Other information disclosed involved employees and environmental issues. But that study only used cross-sectional data for one year which is not a proper representation. *In this study, use is made of panel data and also of the sense-making approach to understand why the CSD practice is as it is in Kenya.*

2.3.8 Motivations for CSD

There are many studies that have shown an association between a firm's specific characteristics and voluntary disclosures (Lang & Lundholm, 1993; Chew, 2004). Motivations for CSD can be grouped into (i) company characteristics; (ii) corporate governance; and (iii) others.

Company characteristics

Many studies have found that the level of CSD is affected by various company characteristics such as size, industry type, financial leverage, and profitability. Another factor that has been found to have an influence on the level of CSD is industry type. For example, in a study of 143 Jordanian Companies, Abu-Baker and Naser (2000) found out that there were significant variations among the different industry groupings in the amount and manner in which social responsibility information was disclosed.

The study by Ponnu and Okoth (2009) indicated that company characteristics did not have significant influence on a company's CSR disclosures. However, Barako, Hancock, and Izan (2006a) obtained different findings in relation to company characteristics having an influence on the level of voluntary disclosures. The authors found that the company size and leverage had a positive influence on the level of voluntary disclosures.

Gearing

According to Meek et al. (1995), potential wealth transfers from debt-holders to shareholders increase with gearing and therefore agency costs are higher for firms with more debts in their capital structure (Jensen & Meckling, 1976). Voluntary disclosures help in reducing the agency costs because they facilitate in assessing the firm's ability to meet its debt obligations (Smith & Warner, 1979). This additional information assures both the debt-holders and the shareholders about the firm's future growth (Schipper, 1981). Various studies have shown that gearing is associated with the level of voluntary disclosures (Malone, Fires, & Jones, 1993; Wallace, Nase, & Mora, 1994).

Size

Larger firms are likely to disclose more information than smaller firms (Chew, 2004). The first reason is cost. Smaller firms may find that they do not have the necessary resources for collecting, processing and disseminating of information (Buzby, 1975). Due to competitive disadvantage, they also incur more proprietary costs leading to disclosure of less information (McKinnon & Dalimunthe, 1993). Larger firms also try to reduce information asymmetry by disclosing more information because they are likely to be scrutinized more by analysts (Lang & Lundholm, 1993). The costs of non-disclosure are also higher for larger firms than smaller firms. Many studies have shown that the size of the company affects the level of social responsibility disclosures. Such findings have been obtained by Smith, Adhikari, and Tondkar (2005), and Silberhorn and Warren (2007).

Profitability

Firms that are highly profitable have an incentive to disclose more information in order to distinguish themselves from less profitable ones (Foster, 1986). One incentive for doing this is to be able to raise finance on best terms available (Meek et al., 1995). Managers of such firms are also motivated to disclose more information in order to bargain for higher remuneration (Singhvi & Desai, 1971). They also do it to signal institutional confidence (Ross, 1979). Studies on whether profitability has any significant influence on voluntary disclosures have given mixed results (Chew, 2004). However, in general, there is an association between the level of voluntary disclosures and firm's profitability (Alnajjar, 2000; Gray, Javad, et al., 2001). Janggu, Joseph and Madi (2007) found the relationship positive but weak. However, Hackston and Milne (1996) did not find any relationship.

Liquidity

Liquidity is the firm's ability to honour its short term obligations. Lenders and creditors expect that a firm will be able to honour such obligations as they fall due. Some researchers such as Belkaoui-Riahi and Riahi (1978) and Cooke (1989) have argued that liquid firms are likely to disclose more information because they want to portray their soundness. Others such as Wallace et al. (1994) are of the opinion that low liquid firms, in order to justify their liquidity status, are likely to disclose more information. Empirical studies have generated mixed results. For example, Belkaoui-Riahi and Kahl (1978) found

no association between liquidity and disclosure, but Wallace et al. (1994) found a negative association.

Industry type

The type of industry has also been found to affect the amount of social responsibility information disclosed by firms. According to Wallace et al. (1994), firms in a specific industry are likely to disclose more information than firms in other industries due to the particular circumstances that they are facing. For example, firms in the manufacturing industry are likely to disclose more information than those in the service sector. According to Owusu-Ansah (1998), firms operating in a highly regulated industry are likely to disclose more information due to the rigorous controls that they are subjected to. Watson, Shivers and Marston (2002) found the opposite and suggested that regulated companies may not feel any need for additional disclosure. Studies that have shown that the type of industry affects the level of CSD include studies by Gray et al. (2001), and Rizk, Dixon, and Woodhead (2008).

Country

Associated with foreign listing is the country in which the company is operating. Various studies have shown that CSD practices are affected by the country in which the company is operating. Adams et al. (1998) say that the reasons why CSD practices differ across countries are usually very complex. Results showing that countries in which companies are operating from have an influence on CSD have been obtained by Silberhorn and Warren (2007), and Pratten and Mashat (2009).

Corporate governance attributes

There are many studies that have reported an association between corporate governance and financial reporting (Francis, Schipper, & Vincent, 2005). However, according to Barako, Hancock, and Izan (2006b) there are few studies that have examined the association between corporate governance characteristics and voluntary disclosures. They are even fewer studies that have tried to associate corporate governance with CSD. Because CSD is an aspect of voluntary disclosures the findings on the association between corporate governance and voluntary disclosures are likely to be true for CSD. Most studies

on CSD have been conducted in the United States, Europe and Australia (Hackston & Milne, 1996; Newson & Deegan, 2002). Also covered but on a limited scale are Canada, Germany, Japan, New Zealand, Malaysia and Singapore (Ratanajongkol et al., 2006). The researcher indicates that there has not been a study on the relationship between corporate governance and CSD disclosures in Kenya and thus the need for this study. One cannot assume that findings in other countries will be the same for Kenya because studies in different countries have shown differences in disclosures (Holder-Webb, Cohen, Nath, & Wood, 2008).

Various studies on the impact of corporate governance on voluntary disclosures have generated mixed results. Halme and Huse (1997) in a study of four European countries found that there was no association between both ownership concentration and the number of board members and voluntary disclosures. However, Haniffa and Cooke (2002) found that culture and corporate governance mechanisms had an effect on the level of CSD of Malaysian companies. Ghazali (2007) in a study of Malaysian companies found that director ownership and government ownership had a significant influence on CSD while ownership concentration did not have a significant influence on CSD. Another study conducted by Naser, Al-Hussaini, Al-Kwari and Nuseibeh (2006) on Qatari companies indicated that ownership variables were not associated with CSD.

This study was interested to assess whether the same can be said about corporate governance and CSD. A study of this nature was important in order to understand the variables that drive or prevent improved sustainability and CSD in a developing country such as Kenya (Adams & Larrinaga-Gonzalez, 2007). This is particularly so given the need to respond to the social and environmental crisis (Flannery, 2005).

Ownership structure

Ghazali (2007) studied Malaysian companies and found that ownership structure affects the amount of CSD in annual reports. Similar results were obtained by Rizk et al. (2008) in a study of 60 Egyptian companies. Barako et al. (2006a), in a study of Kenyan companies, found that ownership structure influenced disclosure of voluntary information.

Tarmizi (2007) found that the ownership structure affected the voluntary social responsibility disclosures by family firms in Indonesian manufacturing firms. The author further found that voluntary disclosures were lower in firms with a majority ownership structure compared to those with non-majority ownership structure.

There are three aspects of ownership structure: (i) ownership concentration; (ii) institutional ownership; and (iii) the proportion of foreign ownership.

Ownership concentration

Potential conflicts are likely to be higher where shares are widely held than when there are a few shareholders (Fama & Jensen, 1983). Where shares are widely held, managers are likely to disclose more information in order to demonstrate to the owners that they are acting in their best interests (Craswell & Taylor, 1992; McKinnon & Dalimunthe, 1993). However, researchers such as Zeckhauser and Pound (1990) have argued that that dispersed ownership may lead to low individual shareholder's stake, and therefore lack monitoring capacity. Empirical studies have produced mixed results. For example, Craswell and Taylor (1992) found no relationship between ownership concentration and disclosure levels. Cooke (1992) found a positive relationship while Hossain, Tan, and Adams, et al. (1994) found a negative relationship.

Institutional ownership

Institutional investors usually have large shareholdings and, therefore, are likely to take more interest in the disclosures made in any company's report. In order to meet the expectations of such investors, managers may disclose more information (Barako et al., 2006a). Researchers such as Carson and Simnett (1997), and Bushee and Noe (2000) have found this to be the case.

Proportion of foreign ownership

Companies which are listed in a foreign country are likely to disclose more information than companies that are just locally listed (Chew, 2004). Several reasons have been advanced why companies listed in foreign countries tend to disclose more information. These are: (i) differences in monitoring costs in different countries due to different

reporting requirements (Cooke, 1991); (ii) demand for more information due to more press coverage (Firth, 1979a); and (iii) companies can choose to be listed in a more stringent environment in order to receive more intensive monitoring (Leftwich, Watts, & Zimmerman, 1981). Several studies have confirmed that companies listed in a foreign country are likely to disclose more information. For example, Meek and Gray (1989) found that European multinationals listed on the London Stock Exchange disclosed more information than companies that are only listed in their home countries. Barako et al. (2006a) found that the proportion of foreign ownership and institutional ownership were significant predictors of voluntary disclosures.

Presence of non-executive directors

There are two aspects of the board of directors that have been shown to affect the amount of disclosures: board interdependence and board inter-locks. An independent board of directors can monitor and discipline the management on behalf of external owners thereby reducing the agency problem (Healy & Palepu, 2001). For a board of directors to be effective, it has to be independent of the management (Rosentein & Wyatt, 1990). A board is said to be independent and effective if it has non-executive directors (Mangel & Singh, 1993). The larger the proportion of non-executive directors, the more effective it is in monitoring the management (Rosentein & Wyatt, 1990). This is because non-executive directors provide checks and balances necessary for a board to be effective (Franks, Mayer, & Renneboog, 2001); they also help in diffusing agency conflicts (Fama & Jensen, 1983). Tricker (1984) argues that the non-executive directors provide a window into the external world and therefore bring to the company their vast experience.

Board inter-locks exist where some members of a board of directors are serving on boards of other companies and therefore information is able to diffuse from one company to another. Board inter-locks have also been found to influence the level of voluntary disclosures (Braam & Borghans, 2010).

Dual leadership structure

One of the central themes of corporate governance is whether the chair of the board of directors should also be the CEO. There is evidence to show that where the two roles are

combined, functions of the board are adversely affected with negative consequences for the company. For example, such a person can withhold important information from the other members of the board (Mohamad, 2010). An example of studies that have shown that dual leadership structure affects positively voluntary disclosures is a study by Rouf (2011).

Type of auditor

According to Schipper (1981), conflicts of interest between the principal and agents can be alleviated by the choice of an external auditor. The big audit firms have brand name to protect and therefore cannot easily succumb to a client's pressure for limited disclosure as compared to other audit firms (Chow & Wong-Boren, 1987). They are therefore able to influence more disclosures by their clients because they are able to exercise greater influence (Hossain, Perera, et al., 1994). In addition, inter-lock ties where companies have the same auditor have also been seen to facilitate diffusion of voluntary disclosure practices (Conyon & Muldoon, 2006).

Presence of an audit committee

Audit committees help in ensuring that the control system is working well (Collier, 1993). An audit committee is established to provide an avenue for the communication of the external auditor's findings to the board and therefore makes sure that annual reports are both relevant and reliable (Wolnizer, 1995; DeZoort, 1997). The establishment of an audit committee aims to assist the non-executive directors to fulfil their statutory duties (Pincus, Rusbarsky, & Wong, 1989). The effectiveness of the audit committee is determined by the qualifications of the members and their independence. Some studies have shown that independence of an audit committee has a positive association with the level of voluntary disclosures (Ho & Wong, 2001b; Barako et al., 2006a). However, there are some that have not shown any influence of audit committees on voluntary disclosures (Forker, 1992).

Image

Creating a good image has also been found to be one of the motives behind the publication of social responsibility reports. Woodward, Edwards and Birkin (2001) analysed the UK's senior executive attitudes towards perceived social responsibility and found image building as one of the reasons companies disclose social information.

Investment decisions

A study by Epstein and Freedman (1994) on US shareholders' use of social information in making investment decisions found that shareholders want their companies to report on ethics, employee relations, and community involvement. Others studies in CSD have found differently. For example, Patten (1990) found that US companies doing businesses in South Africa used disclosed social information to make investment decisions.

Table 2.2 presents researches on different CSD motivations.

Though different motivations for CSD have been discussed, not all of them may be applicable to Kenya. The only CSD study in Kenya that we have been able to find was one by Ponnu and Okoth (2009). In that study, an analysis of company characteristics influence on CSD was done. The results indicated that a firm's size, liquidity and profitability did not have an influence on CSD practice. The weakness of this study was that it did not investigate the influence of corporate governance variables on CSD. A study by Barako et al. (2006a) had indicated that corporate governance attributes and company characteristics had an influence on voluntary disclosures. Such results would therefore be expected for CSD. Another weakness in the study by Ponnu and Okoth (2009) is the fact that it only used cross sectional data for one year. The researchers recommended that for one to understand the CSD practice fully, a longitudinal study is necessary. *This study has gone a step further than Ponnu and Okoth (2009) by using panel data to investigate the effect of not only company characteristics but also corporate governance attributes on the CSD practice in Kenya. This study, in this aspect, is similar to the study by Barako et al. (2006a) though their focus was voluntary disclosures and not CSD. Another difference of this research from the two discussed here is that it has l tried to answer the question why CSD practice is as it is in Kenya by using a sense-making approach.*

Table 2.2: Empirical Studies on Motivations for CSD		
Motivations for CSD	Studies	Findings
Gearing	Malone et al. (1993); Wallace et al. (1994), Joshi & Gao (2009)	These studies have shown that gearing affects the level of CSD.
Company size	Trotman & Bradley (1981)	Study of 207 Australian companies found that there was a positive relationship between the size and the amount of social information disclosed.
	Adams et al. (1998)	Companies in six European countries were studied. It was found that super-large companies are likely to disclose all types of corporate social information.
	Teoh & Thong (1984), Cowen et al. (1987), Belkaoui & Karpik (1989), Patten (1991), Hackston & Milne (1996), Tilt (1998), Alnajjar (2000), Gray et al. (2001), Smith et al. (2005), Silberhorn & Warren (2007).	All these studies have shown that the size of a company has a positive influence on the amount of social responsibility information disclosed.
Profitability	Alnajjar (2000)	A study of annual reports of 500 US Fortune companies found that profitability had a significant effect on the level of corporate social disclosures. This positive relationship between profitability and corporate social responsibility disclosures have been found by Gray, Javad, et al. (2001).
	Janggu et al. (2007)	Found the relationship between profitability and voluntary disclosures positive but weak.
	Hackston and Milne (1996)	Did not find any relationship between profitability and CSD.
Liquidity	Belkaoui-Riahi and Kahl (1978)	Found no association between liquidity and voluntary disclosures.
	Wallace et al. (1994)	Found a negative relationship between liquidity and voluntary disclosures.
Industry type	Singh and Ahuja (1983)	A study of 40 Indian public companies found that the industry type significantly affected the extent to which corporate social disclosure was

Table 2.2: Empirical Studies on Motivations for CSD		
Motivations for CSD	Studies	Findings
		done. The service companies did not disclose as much information as the manufacturing companies.
	Patten (1992)	The study found out that environmentally sensitive industries disclosed more environmental information.
	Abu-Baker and Naser (2000)	Found that industry type had an influence on the amounts, methods and locations in annual reports of corporate social responsibility information disclosed.
	Patten (1991), Hackston & Milne (1996), Adams et al. (1998), Tilt (1998), Cormier and Gordon (2001), Gray et al. (2001), Newson & Deegan (2002), Rizk et al. (2008), Salama (2009).	All these studies have obtained findings that indicate that industry type has an effect on the social responsibility information disclosed.
Country	Smith et al. (2005)	CSD practices of 32 Norwegian and Danish Companies were compared to CSD practices of 26 US companies and found that the Norwegian and Danish companies disclosed more information than the US companies. This was attributed to the fact that Norway and Denmark tend to put more emphasis to social issues while in the US the emphasis is weak.
	Dawkins and Ngunjiri (2008)	A comparison of the social reporting practices of South African companies with those of Fortune Global 100 was done. It was found out that South Africa companies disclosed more social responsibility information than the Fortune Global 100 companies.
	Adams and Kuasirikun (2000), Newson and Deegan (2002), Silberhorn and Warren (2007), and Pratten and Mashat (2009).	These studies show that countries in which companies are operating from have an influence on CSD.
Ownership structure	Barako et al. (2006a)	A study of Kenyan companies found that whether a firm is foreign owned or locally owned influenced its disclosure of voluntary information. They also

Table 2.2: Empirical Studies on Motivations for CSD		
Motivations for CSD	Studies	Findings
		found that the proportion of foreign ownership and institutional ownership were significant predictors of voluntary disclosures.
	Fama and Jensen (1983), Craswell and Taylor (1992), McKinnon and Dalimunthe (1993), Chew (2004), Ghazali (2007), Tarmizi (2007), and Rizk et al. (2008).	The studies have shown that the ownership structure affects the CSD level.
Non-executive directors	Forker (1992), Chen and Jaggi (2000), Haniffa and Cooke (2002)	The studies indicate that a high proportion of independent directors in the BOD increases voluntary disclosures.
	Barako et al. (2006a)	The study found that the extent of voluntary disclosures in the annual report was related the board composition.
Dual leadership	Forker (1992); Gul & Leung (2004)	The study found a negative relationship between voluntary disclosures and the combined role.
	Ho and Wong (2001a)	The study did not find any relationship between the voluntary disclosures and the combined role.
Auditor type	Craswell and Taylor (1992)	The study showed that that big audit firms and voluntary disclosures are significantly positively related.
Audit Committee	Ho and Wong (2001b), Barako et al. (2006a)	These studies have shown that independence of an audit committee has a positive association with the level of voluntary disclosures

2.4 CSD Theories

2.4.1 Introduction

CSR and CSD have been described and their contents and motivations identified, highlighting the need to understand the way managers think about them, given that how they think is an important factor in disclosure. Before proceeding to an account of the techniques by which we can identify how managers think, and the constructionist concepts underlying them, we need to address the theories that apply to CSD.

Accounting researchers have criticised CSD research for not being adequately based on theories (Gray, 2001; Gray, 2002). However, to try to place CSD in a theoretical context, theories concerning information flows between society and the organizations have been used.

The theoretical framework is based on the fact that communities are becoming more aware of the importance of non-economic issues, how companies deal with this new focus, and how companies can benefit from additional disclosures (Hassan, 2010).

Due to the fact that CSD is voluntary in nature, it provides an area for research into the motivational aspects of disclosures (Laan, 2009). CSD is related to different theoretical perspectives and the most commonly used are the legitimacy theory and the stakeholder theory (Elijido-Ten, Kloot, & Clarkson, 2010). The two theories have their basis in the political economy theory (Gray et al., 1996). Though the legitimacy and stakeholder theories overlap and complement each other (Deegan & Blomquist, 2006), the legitimacy theory is macro in nature concerning itself with the idea that contracts exist between firms and society and hence organizations are given legitimacy by the society (Pfeffer & Salancik, 1978; Cormier, Gordon, & Magnan, 2004). While the stakeholder's theory is micro in nature concerning itself with the identification of groups that give the organization legitimacy (Mitchell, Agle, & Wood, 1997; Elijido-Ten et al., 2010).

There have been two paths in the development of CSD: critical theory perspective and management oriented perspective (Burritt & Schaltegger, 2010). In the critical theory perspective, corporate sustainability accounting is the source and cause of corporate sustainability problems (Maunder & Burritt, 1991). There have been arguments that

the definition of the word “sustainability” is highly contested and therefore there is little hope that CSD will amount to much (Gray, 2010). On the other hand, the management-oriented perspective views CSD as a set of tools that help management in decision making (Burritt, Hahn, & Schaltegger, 2002; Burritt & Schaltegger, 2010). This study is based on the management-oriented perspective of CSD.

2.4.2 Agency theory

One of the distinguishing characteristics of the modern corporation is the existence of a separation between the owners and the controllers (Berle & Means, 1932). This separation between ownership and control can lead to managers acting not in the best interests of shareholders but for their own self-interest (Godfrey, Hodgson, Holmes, & Tarca, 2006). The agency theory tries to explain the conflict that can arise between the management on the one hand and the owners on the other hand. The agency problem leads to information asymmetry where the management has more information about the company than the owners (Thakor, 1993).

One way of dealing with the information asymmetry problem is good corporate governance practices (Melis, 2004). The other way is to disclose more information (Narayanan et al., 2000). This study, therefore, sought to find out what motivates accountants in Kenya to disclose social responsibility information in order to reduce the information asymmetry.

2.4.3 The Political economy theory

Because of its long historical tradition the political economy theory has been variously defined. For example, Gray et al. (1996, p. 47) define political economy theory as “the social political and economic framework within which human life takes place”. Jackson (1982) describes it as the study of relationships between the productive exchange system and the power and goals of those in power.

This theory has helped researchers use social political and economic contexts to interpret disclosures (Elmogla, 2009). According to Guthrie and Parker (1990), social, political and economic contexts are inseparable and, therefore, all must be considered in CSD researches. In other words, the main argument of the political economy theory is that it is not feasible to isolate societal, political and economic issues (Gray et al., 1996). The other argument is that economic domain cannot be considered alone without

considering the political, social and institutional framework within which the company operates (Guthrie & Parker, 1990; Williams, 1999).

According to the political economy theory, managers use their own conceptions and their own terms to dictate issues to be reported (Guthrie & Parker, 1990). Managers disclose some issues for their own interest and may suppress others if their own interest is threatened by disclosure (Adams, Hill, & Roberts, 1995; Gray et al., 1996). Managers are likely to suppress information that is critical of the firms' performance or may be viewed negatively (Adams et al., 1995). It has also been observed that corporations disclose more information in an attempt to prevent more social and environmental regulations (Adams et al., 1998), and that they want to make social disclosure to construct, sustain and legitimise economic power for private interest (Guthrie & Parker, 1990).

CSD has been interpreted in a number of studies using the political economy theory. For example, Guthrie and Parker (1989) found out that the legitimacy theory did not explain CSD practices as adequately as the political economy theory. The two researchers carried out another study which compared disclosure practices of Australian, UK and USA companies using 1983 annual reports and found that there was a tendency for social, political and economic world to be presented by communicators in their own terms (Guthrie & Parker, 1990). This supports the political economy theory. Williams (1999) in a study of 356 listed companies in seven Asia-Pacific nations found that the political and civil systems explain the quantity of CSD. Unerman (2003) also found that disclosures of company information reflected the political interactions between governments and firms.

This theory relates to the current study in the sense that accountants may be motivated to hide social responsibility information that would show them in a bad light, and disclose information that is likely to reflect their good performance. It is therefore important to know what their perceptions, constructs and intentions are in relation to social responsibility disclosures.

2.4.4 *The legitimacy theory*

Legitimacy has been described as the congruence between the society's value system and those of the organization (Dowling & Pfeffer, 1975). The legitimacy theory is based on the premise that a company has a right to exist, and that this right is deserved by acting in accordance with the expectations of the society with which it interacts (Dowling & Pfeffer, 1975). The basic notion of legitimacy theory is the concept of social contract (Guthrie & Parker, 1989; Mathews, 1993), which may be expressed or implied (Elmogla, 2009). According to this theory, firms do not have an inherent right to exist; they do so with society's permission (Ratanajongkol et al, 2006). A firm is seen as a part of wider society in which it exists; which means, therefore, that the legitimacy theory is essentially a systems oriented theory (Gray et al., 1996).

According to Guthrie and Parker (1989), if the legitimacy theory holds true, then corporations will react by disclosing more information when there are major social and environmental events. This has been confirmed by a study by Deegan et al. (2002). According to O'Donovan (2002), organizations need to continually maintain their legitimacy because society's expectations change from time to time. The author also notes that different organisations have different levels of legitimacy to maintain. Legitimation strategies can be used to change the perceptions of the society about a company without changing the real activities of the organisation (Milne & Patten, 2002).

Milne and Patten (2002) indicate that the process of legitimation may be strategic or institutional. In the strategic approach, the manager decides the issues to disclose because the manager is in control of the legitimacy process (Milne & Patten, 2002). However, in the insitutional approach, managers are assumed to face pressure from different society's institutions such that the legitimacy process is controlled by institutional pressure rather than the manager, and that managers are expected to conform to the "norms" that are imposed upon them by the society (Deegan, 2002, p. 294).

The legitimacy theory is currently the dominant theoretical construct in CSD research (Deegan et al., 2002). This theory has been widely used to understand the motives for CSD (Deegan, Rankin, & Voght, 2000; Rayman-Bacchus, 2006). For example, Momin (2006) says that firms disclose information in order to show that they conform to the

expectations of the society. Other researchers have found that the legitimacy approach can be used to explain CSD practices. For example, Deegan et al. (2000) found that companies in Australia used CSD in order to legitimise their existence and Campbell, Craven, and Shrivies (2003) found that the legitimacy theory may be used to explain CSD in some cases but not in others.

Adams et al. (1998) also found that legitimacy could be used to explain the differences in CSD practices in companies of different sizes and industrial type, but the practices between countries were difficult to explain. Other studies which have found that companies use CSD to legitimise their existence include studies by O'Dwyer (2002), and Ahmad and Sulaiman (2004).

The legitimacy theory has been criticized in that it needs to be bounded into a broader context (Bebbington, Larrinaga-Gonzalez, & Moneva-Abadia, 2008); that its scope is limited; and that some of its elements overlap with other theories (Parker, 2005). O'Dwyer (2002) has also noted that legitimizing disclosures may not work in some cases due to the culture prevailing in the particular society. This supports the use of the political economy theory.

The legitimacy theory relates to the current study because one would want to find out whether accountants disclose social information so that their firms are seen to care for the society and, therefore, justify their existence.

2.4.5 *The stakeholder theory*

The term "stakeholder" refers to "those groups without whose support the organization would cease to exist" (Freedman, 1983, p. 33). A stakeholder can also be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). Some writers have classified stakeholders into two groups: the primary and secondary stakeholders. Primary stakeholders are those without whom the firms will not be a going concern and include shareholders, employees, suppliers, customers and the government. Secondary stakeholders are those that influence or are influenced by the firm but do not affect its survival (Clarkson M. , 1995). In other words, a firm can be regarded as a series of connections of stakeholders which must be managed (Freeman, 1984).

In the stakeholder theory, the organization is seen as part of a wider social system (Ratanajongkol et al., 2006). The main argument of the stakeholder theory is that there are wider groups of stakeholders in a company other than shareholders and other investors (Sternberg, 1997). The theory also holds that the success of an organization is dependent on how it manages its relationships with various stakeholders (Elijido-Ten, 2009). The organization, therefore, needs to manage the various stakeholders who are affected by the organization or affect the decisions it makes (Freedman, 1983). It has been shown that the key drivers of CSR are stakeholder-related (Ernst & Young, 2002).

Whether the stakeholder theory is a series of theories or is one coherent theory has been a point of contention. The stakeholder theory can be divided into two branches: positive/managerial branch and ethical/normative branch. The positive branch says that organizations favour the powerful stakeholders who are likely to have an impact on the organization (O'Dwyer, 2003). According to this perspective, corporations do not provide information to actually demonstrate accountability, but for the strategic purpose of gaining support for continued survival of the business (Alder & Milne, 1997).

The ethical branch holds the view that issues of stakeholder power are not relevant and that all the stakeholders should be treated equally (Gray et al, 1996). It also maintains that an accountability perspective should be used to address stakeholder concern (Momin, 2006). According to the normative perspective, corporations are perhaps obliged to make social disclosures in order to discharge wider accountability (Buhr, 2001).

There has been increased community awareness due the manifestations of the effects of global warming. According to the stakeholder theory, this increased awareness places a duty on the company to include non-traditional stakeholders in corporate plans. One of the reasons why companies disclose voluntary information is in order to satisfy the various stakeholders (Gray & Bebbington, 2001; Buhr, 2007).

The stakeholder theory is about organization governance. Stakeholder management is seen as a process of effective organization governance where all parties have a voice in the organization (Mattingly, Harrast, & Olsen, 2009). The earlier proponents of the

stakeholder approach to governance argued that the management of the organization is likely to sustain a firm for a longer time for the benefits of all stakeholders rather than when the management is just concerned with wealth maximization of the stockholders (Freeman, 1984). In addition to the above, there has been an observation that building and maintaining an organization's capacity for wealth creation is enhanced by fostering effective relationships with various stakeholders (Post, Preston, & Sachs, 2002).

CSD is used to inform on the firm's social performance to its internal and external stakeholders (Kaptein, 2007), serves as an input for dialogue between different stakeholders (Kaptein & Van Tulder, 2003) and, therefore, is a means by which stakeholder relations are managed (Zadek, 2001).

Some studies have supported this theory. For example, Prado-Lorenzo, Gallego-Alvarez, and Garcia-Sanchez (2009) found that certain stakeholders determined what kind of corporate social responsibility information is reported. Others have shown that the stakeholder approach explains why companies disclose social information. Roberts (1992) found that the stakeholder power influenced CSD significantly. Similar findings were recorded by Belal and Owen (2007) who found that managing powerful stakeholder groups was the main motivation for CSD. Prado-Lorenzo et al. (2009) also found that the main influence on social responsibility reporting was the power exerted by the stakeholders. Smith et al. (2005) found that companies in countries with a stakeholder orientation provide more social responsibility information. Silberhorn and Warren (2007) found similar findings that the stakeholder consideration largely influenced how companies reported social information.

This study, therefore, sought to find out whether Kenyan firms disclose social information in order to manage various stakeholders effectively.

2.4.6 The institutional theory

Another theory that has been found to explain CSD practices is the institutional theory (Milne & Patten, 2002; Rahaman, Lawrence, & Roper, 2004). Some authors have called it the institutional legitimacy theory because it is based on the legitimacy theory (Suchman, 1995).

Institutions have been defined as the generally accepted patterns of conduct by individuals in a society (Burger & Luckmann, 1967; Rutherford M. , 1996). Scott (1987) defined institutions as regulatory structures, governmental agencies, courts, professions and educational systems. In addition to these, other institutional constituents such as interest groups and public opinion can exert pressure on institutional actors (Zucker, 1987). Individuals in an institution devise strategies for survival in order to act in accordance with the prevailing formal and informal rules (North, 1992). According to the institution theory, companies seem to be accountable to institutionalized structures rather than to their stakeholders (Vourvachis, 2009).

It has been argued that individuals in an institution can be constrained by the institutional arrangements, which in some cases can limit certain courses of action and restrain certain patterns of resource allocations (Powell & DiMaggio, 1991). This can be emphasized by the fact that institutions in which a firm operates affect the way it treats its various stakeholders (Fligstein & Freeland, 1995).

According to the institutional theory, much of management behaviour is controlled by institutional pressures that create tendencies towards isomorphism within the organizational field (DiMaggio & Powel, 1983). This includes even attempts to legitimise. In order for a firm to gain legitimacy, it has to become isomorphic with its environments where it will act not for self-interest but in order to achieve what is proper by the standards of the societal norms (Milne & Patten, 2002; DiMaggio, 1988).

There are several institutional factors that influence whether firms will act in a socially responsible way. These factors include: government regulations, society's expectations and, large companies practices.

Studies have shown that government regulations and deregulations affect the way a firm is likely to operate. Accounting frauds and other corporate scandals of the 1990s have largely been attributed to the financial deregulation that preceded them (Stiglitz, 2003). It has, however, been noted that though the presence of regulations matters, the capacity of the state to enforce the regulations and monitor behaviour are also important (North, 1990). This is because they shape and influence an institution's

effectiveness. Corporations are also likely to resist regulations, or control them in a way that suits them (Bernstein, 1955).

Sometimes institutional pressures are brought about by the pace set by the larger dominant companies where small companies feel the need to adopt the practices of the larger companies (Rahaman et al., & Roper, 2004; Woodward, Woodward, & Val, 2004; Vourvachis, 2009). Small firms in a bid to gain organisational effectiveness and social legitimacy are likely to adopt the practices of larger organisations (Oliver, 1991). This is why firms that are perceived to be more successful and legitimate than others are imitated by the other firms (DiMaggio & Powel, 1983; Powell & DiMaggio, 1991). Rahaman et al. (2004) found institutional pressure to be the main determinant of CSD practices in Ghana.

Accounting is perceived as a form of institutionalized practice. As a form of an institution it may represent a means for demonstrating, albeit symbolically, an organization's commitment to courses of action (Covaleski, Dirsmith, & Samuel, 1996). In this regard, the institutional theory can make significant contribution to CSD framework because CSD can be seen as an institutionalized practice used by managers to legitimize their operations by providing information to external constituencies (Arndt & Bigelow, 2000). Though some studies indicate that institutional factors affect the CSD practice, they seem to be neglected in CSD studies (Walsh, Weber, & Margolis, 2003).

This study sought to find out whether there are institutional pressures that influence the practice of CSD in Kenya.

2.4.7 The marketing theory

The marketing theory is based on the fact that corporations are likely to be influenced in their CSD practice by the consumer buying behaviour which in recent times has been affected by ethical consumerism. Ethical consumerism is the way consumers react either positively or negatively to business ethical or unethical behaviour in their purchasing decisions (Pruzan, 2001). According to the marketing theory, companies provide social information so as to enhance their image and credibility (Adams, 2002). In support of this view, Deegan et al. (2002) have suggested that CSD is a useful tool

used by corporations to reduce the effects of events that are unfavourable to a company's image. According to KPMG (2008) CSR survey, 55% of the surveyed companies around the world indicated that the main motivation for CSD was brand improvement.

Reputation and brand improvement could be possible motivations for CSD in Kenya. Therefore, this study will also try to find out whether one of the motivations for CSD in Kenya is reputation and brand improvement.

2.4.8 The social contract theory

The social contract theory holds that there exists a contractual relationship between organizations and society. As a result of this and in return for approval of their objectives, firms carry out various socially desired actions (Guthrie & Parker, 1989). Every social institution operates in society via either an expressed or implied social contract, whereby the firm is expected to deliver some socially desirable outcomes (Shocker & Sethi, 1974). The explicit terms of the social contract are the requirements imposed by law and the implicit terms are the unspecified community expectations (Deegan, 2000). The society can remove the right of a firm to continue its operations if it fails to fulfil the social contract (Deegan & Rankin, 1997). Sanctions that the society may impose on a firm that is not fulfilling its social contract include legal restrictions, restrictions on the availability of resources, and reduction in the demand for its products (Deegan, 2000).

According to the social contract theory, considering that CSD is largely unregulated, community expectations are the main motivation for organizations to engage in CSD (Bansal & Roth, 2000).

This theory is related to this study in the sense that one would want to know whether one of the motivations of CSD is community expectations.

2.4.9 The accountability theory

According to Gray et al. (1997), accountability involves the responsibility to undertake certain actions and the responsibility to provide an account of those actions. Originally, directors and senior management were thought to be accountable to the shareholders,

but recently the understanding of the concept of accountability has changed to include other stakeholders (Gray et al., 1996). There are two variants of accountability that can be discerned from literature: strategic and holistic. The strategic variant considers accountability to be owed to powerful stakeholders. CSD in this case is used to help in maximizing organizational economic prosperity (O'Dwyer & Unerman, 2008). The holistic variant considers accountability to be owed to all stakeholders that are affected or are likely to be affected by the actions of the organization. In this case CSD is used to help in social, environmental and economic sustainability (Unerman, 2007).

Whether CSD is practised so that firms can be accountable to various stakeholders was of interest in this study.

2.4.10 Combination of theories

The legitimacy theory, the stakeholder theory, and the political economy theory are the most widely used theories to explain CSD practice. However, there are researchers like Adams (2002) who have argued that no single theory can adequately explain the CSD practice and that it enriches a study to use combinations of these theories. These researchers argue that the CSD theories separately do not explain why accounting and accountants fail to adequately explain the CSD practice within the context of business practice. This criticism is based on the fact that CSD is not exclusively the domain of accountants and accounting in the organisations (Riahi-Belkaoui & Pavlik, 1992). In addition, the impact of accounting information is dependent on the interpretations by individuals. Human values also affect the way corporate performance information is reported.

The use of a combination of theories has been confirmed by several studies. For example, Staden (2003) found both the political economy and legitimacy theories to be applicable in explaining the publication of Value Added Statements in South Africa. Some studies have shown that the legitimacy and stakeholder theories apply only if the political economy theory is not considered (Adams & Harte, 1998).

2.4.11 Conclusion

This section has detailed various theories that have been used to explain CSD practice. The argument for use of combinations of theories in explaining CSD practice has also

been advanced. All the theories discussed above can be used to explain the accountants' perceptions, constructs and intentions in relation to CSD. However, the stakeholder theory seems to be the main theory which would explain the stakeholders' negotiations in relation to CSD. *This is considered to be the main theory of this study though other theories can be used to explain the practice where there is a need to use them.*

Since the interest of the study is to find out the accountants' perceptions, constructs and intentions in relation to CSD practice in Kenya, we need to consider construction.

2.5 Constructionism

2.5.1 Definition

Crotty (1998, p. 62) defines constructionism as "the view that all knowledge, and therefore all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context". Constructionism can be individual constructionism or social constructionism.

2.5.2 Individual Constructionism

According to individual constructivists, knowledge is "individually and idiosyncratically constructed" (Liu & Matthews, 2005, p. 387) by one's own mind exploring and developing the meanings of events (Watkins, 2000). The construction takes place, "by means of the complementary adaptive mechanisms of accommodation and assimilation," when one interacts with the environment around him or her (Marton & Booth, 1997, p. 6). Variations in the abilities of an individual to conceptualize, and the fact that sometimes individuals interpret the same phenomenon differently results in differences in meanings (Watkins, 2000).

Sense-making is a way of interpreting what happens when an individual scans and gives meanings to situations in which they find themselves in (Daft & Weick, 1984). Scanning involves searching the environment to identify important issues that are likely to affect the organisation. Interpretation is giving meaning to data in a way that they can be understood and be used for action (Gioia & Chittipeddi, 1991; Thomas, Clark, & Gioia, 1993). Sense-making has also been described by Ring and Rands (1989, p. 342) as "a process by which individuals develop cognitive maps of their environment".

Sense-making involves people acting as if the construed interpretations are true (Daft & Weick, 1984; Weick, 1995). Individuals and groups form mental models which help process information, make sense, and make decisions (Walsh, 1994). Social construction processes which include formal and informal communication processes and exposures to common events help in forming these mental images (Porac, Thomas, & Baden-Fuller, 1989; Reger & Huff, 1993). The sense-making approach is therefore consistent with a constructionist approach (Berger & Luckmann, 1966), where organizations are described as acting with a perceived rather than a real environment (Basu & Palazzo, 2008).

Given that CSD practice is not regulated, accountants are likely to perceive its different aspects variously. This means that people in different stakeholder positions are likely to perceive the practice differently. A study of perceptions by accountants is therefore important in order to bring out why the practice is as it is.

The fact that the more evidence there is does not necessarily alter the meaning that participants have already constructed is the first lesson of sense-making. Individuals instead of seeing what they are told or taught, see what they believe (Weick, 1995). The fact that meaning is not discovered or revealed but instead is constructed by the sense-maker is the central premise of sense-making (Christiansen, 2006).

Although there has been a tremendous growth in literature on CSR, some authors recognise that there is still a missing aspect (Margolis & Walsh, 2003; Campbell J. , 2007; Basu & Palazzo, 2008). Most CSR studies approach it from a rational perspective giving too much attention to its content and activities (Nijhof & Jeurissen, 2006; Basu & Palazzo, 2008)., and Basu and Palazzo (2008) claim that the sense-making approach can help in understanding CSR better because it helps achieve greater clarity on the practice of CSR. It can also help to determine how opinion leaders make sense of CSR, and also bring out the unique knowledge structures that have been developed in relation to CSR (Nijhof & Jeurissen, 2006). In this case, CSR is seen as emanating from cognitive and linguistic processes, and not from external pressure (Basu & Palazzo, 2008).

Gioia and Thomas (1996) investigated how sense was made of issues that affected strategic change by top management teams in higher education systems. They found

that essential to the sense-making process is top management's perception of identity. Mills, Weatherbee and Colwell (2006) in an investigation of how Canadian business schools and universities made sense of comparative rankings, concluded that because of the need for secure funding, accreditation and ranking had taken on new meanings. It has not been possible to find specific studies of CSD in particular from a sense-making perspective.

The possible criticism of the individual constructionism is that, if individual construction is correct, then it would be difficult to know what the other person means when communicating with each other (Watkins, 2000). It would then be difficult to share and communicate knowledge (Fox, 2001). Kelly (1955) disagrees with this saying that people are capable of understanding others if they are able to construe their construction process.

2.5.3 Social Constructionism

According to social constructivists, knowledge is constructed not by individuals, but by social groups, and is therefore collaborative and based on the specific social context (Wittgenstein, 2001). Knowledge is constructed through a social process and it can only exist if shared with another person (Gergen, 1994). The social constructionists focus on the process of knowledge creation rather than content because they contend that no one person exclusively possesses the source of knowledge (Laird, 1993). Because knowledge is created through a social process, it is deeply rooted in previous agreements and therefore it is a negotiated body of meanings.

The meaning that individuals attribute to events determines their behaviour and this is why social constructivists are concerned with the meaning of interpretation (Lit & Shek, 2002). In searching for meaning to interpretations, individuals shift from their own construction of reality based on their experiences, to focusing on how people interact to construct, modify and maintain the society construed reality (Freedman & Combs, 1996). This means that reality is produced by social negotiation and not by the individual constructing his or her own world (Gergen & Davis, 1985). Because reality is socially constructed, it is historically and culturally relative and therefore individuals' understanding of their external world is influenced by historical and

cultural experiences and hence it is contextual (Burr, 1995; Watkins, 2000; Houston, 2001; Reed, 2005).

Constructionism has been used in business research where the aim is to uncover cognitive maps, categorizations and representations guiding human action (Piaget, 1954; Gergen, 1999). Examples of empirical studies supporting the use of constructionism in accountability research include studies by Sinclair (1995) and Newman (2004). However, constructionism has not been widely used in accounting research. The reason perhaps is because “meanings in accounting are (potentially) negotiated in a wider social setting than is envisaged in classical constructionism or can comfortably be embraced by direct observation” (Rutherford, 2002, p. 375). This seems to imply that in accounting, meanings are already socially constructed. However, there are those of the opinion that financial accounting in communicating reality constructs that reality and, therefore, it is important to study what financial accounting is construed to communicate in different social settings (Hines, 1988). Construction is particularly important in CSD because standards have not been developed and there has not been a socially constructed vocabulary and, therefore, different individuals may construe meanings differently.

Though on the face of it social constructivist approach would appear promising, there are difficulties with it.

2.5.4 Problems with Social Constructionism

One of the criticisms of social constructionism is that the role of individuals in gaining knowledge is somewhat denied (Ogborn, 1997). Because of this, it has the potential to contribute to the collapse of the individualistic paradigm originally advocated by constructivists and therefore has not been accepted by everyone (Rudes & Guterman, 2007). Social constructionism studies have also been criticized for being contingent on the tacit knowledge of the researcher, data analysis and interpretation may not necessarily be straight forward and can be resource-intensive and time-consuming (Easterby-Smith, Thorpe, & Jackson, 2008). Other scholars have criticized social constructionism as not being a coherent theory (Burr, 1995) and because of this it contains disparate and sometimes conflicting ideas (Cromby & Nightingale, 1999).

This study will, therefore, use the Personal Construct Theory because though it is based on individuals’ sense-making of events, it also acknowledges that these individuals are

in social settings and therefore some of the meanings are shared. Because the CSD practice is not well developed, individuals will make sense of it but there is also the fact that there could be shared meanings and also conflicts between different stakeholders which leads to a negotiation of the practice. Therefore the PCT is an appropriate tool to use in this research.

2.5.5 Personal Construct Theory

The Personal Construct Theory (PCT) was developed by George Kelly in 1955 and alongside it the repertory grid technique. The theory and the technique were developed in an attempt to understand what triggers emotions and to help in gathering data about the way patients perceived the world they were living in (Rogers & Lynette, 2007; Bannister & Fransella, 1971). Kelly wanted to know how individuals consciously or unconsciously construed their world (Fontaine & Fransella, 1988). The PCT by exploring an individual's thoughts, feelings and beliefs aims at understanding his or her unique view of the world and therefore helps to explain how individuals interpret events occurring around them using personal perspective in sense making (Cooper, 1998; Bannister & Fransella, 1986).

According to Kelly (1955), individuals make sense of the world around them through the system of constructs that they have built. They define what is important by creating a map of their perceptions and interpretations through a process of deletion, distortion and generalisation (Charvet, 1997). This means that individuals construct their world from different inputs and experiences which help them define their "truth" (Stewart & Mayes, 2002) and therefore they form their own cognitive maps based on their perceptions which are different from the other peoples' perceptions (Baker, 2002). Even though some constructs are shared (Goffin, 2002), an individual's cognitive map is peculiar which creates multiple realities (Baker, 2002).

According to Goffin (2002), as a way of explaining and anticipating events, individuals develop and test constructs by perceiving the world based on the meanings they apply to it. In other words, human beings construct meanings as they interpret the world (Crotty, 1998). This personal construct system helps in interpreting the current events and in anticipating future events (Tan & Hunter, 2002). This stems from the notion that individuals interpret and predict events based on the hypotheses that they have created.

Human beings, therefore, construct meanings and do not create them (Crotty, 2003) and their decision-making is based on their construct systems which represent their understanding of the world around them (Kakabadse, 1991).

According to this theory, human beings base their actions on theories, hypotheses and experiments which they have developed and therefore each individual can be thought of as a scientist (Kelly, 1955). Reality is, therefore, created in the minds of the individuals, and the world people live in is understood based on what is perceived as real (Morgan, 1983). Individuals also constantly update their constructs depending on their usefulness in interpreting events (Goffin, 2002). The PCT can, therefore, be referred to as a theory of group and individual social and psychological processes that models cognition using a constructivist approach (Fransella, 1988; Aranda & Finch, 2003).

The PCT provides a framework for studies seeking acquisition of knowledge by engaging in cognitive mapping and through measuring attitude and personality (Aranda & Finch, 2003). The theory recognizes that all knowledge is based on individuals' perceptions and therefore is altered by "cognitive, social and cultural forces" (Hatch, 1997).

It also means that happenings in the world can be construed differently, and there are differences in the models individuals build and, therefore, events can be interpreted differently (Butt & Parton, 2005). This means that ideas are subject to change and it may be premature to institutionalise them before their organisational and social value has been agreed upon (Adams-Webber & Mancuso, 1983).

The PCT is organized into a fundamental postulate and 11 corollaries. Three of the corollaries are discussed here because they affect CSD: the individuality corollary, the commonality corollary, the sociality corollary. According to the individuality corollary, "Persons differ from each other in their construction of events". This means that everyone's construction of reality is different since they have different experiences. People will never construe the same event the same way no matter how events are similar. According to the individuality corollary accountants will not construe CSD

similarly and therefore it would be important to understand how they construe it because this affects the way they practise it.

According to the commonality corollary, “To the extent that one person employs a construction of experience which is similar to that employed by another his/her psychological processes are similar to the other person”. This seems to mean that though we are different, we can be similar in the way we construct events and this depends on the extent to which we see things the same way. If our construction system is similar, our experiences, behaviours and feelings will also be similar. This explains why people in the same culture have a common understanding of events. In relation to CSD, this corollary implies that accountants in a particular culture are likely to construe it differently from accountants in another culture. This could explain why in some countries there are more social disclosures than in other countries. It could also explain why different accounting firms within the same national culture can construe things differently because of their organizational culture. It can also mean that different stakeholders may perceive CSD practices differently. By looking at similarities and differences given to CSD by accountants in Kenyan organisations, we sought to understand the particular form CSD takes in Kenya.

The sociality corollary says that, “To the extent that one person construes the construction process of another he may play a role in a social process involving the other person”. This seems to mean that people are capable of understanding others. This corollary has an implication in the practise of CSD in the sense that different stakeholders can understand each other in relation to the CSD practice and therefore the practice is likely to be as a result of a negotiation amongst different stakeholders.

2.7 Conclusion

This chapter has reviewed the definition of corporate social responsibility and corporate social disclosures and also reviewed the histories of the two concepts. The issues of responsibility and accountability have also been discussed because they provide the framework for CSD. CSD practices and theories have been discussed at length. These are the political economy theory, which explores CSD social reporting within a social, political and economic framework; the stakeholder theory in its three forms – normative, instrumental and descriptive; and the legitimacy theory, which argues that companies employ CSD as a way of legitimating their relationship with society. In the next chapter, the literature synthesis is done and the basic theory formulated together with the framework of analysis.

CHAPTER 3 : LITERATURE SYNTHESIS, BASIC THEORY AND FRAMEWORK OF ANALYSIS

3.1 Synthesis of Literature Review

The literature review has identified the need for understanding the CSD practice in Kenya and the need to understand the accountants' sense-making in relation to CSD. This study has, therefore, tried to bring out the extent of CSD in Kenya by analysing how different company characteristics and corporate governance variables affect the practice of CSD and the perceptions, constructs and intentions of accountants in relation to CSD.

From the literature reviewed the following observations can be made in relation to CSD.

1. There is a functional relationship between the gearing, size, profitability, liquidity, industry type, country, ownership structure, presence of non-executive directors, presence of dual leadership, type of auditor, presence of an audit committee in the board of directors and the level of CSD.
2. The perceptions, constructs and intentions of accountants affect how CSD is practised.

Let us examine these one by one.

There are some grounds for supposing that there is a positive relationship between the gearing of the company and the level of CSD

In order to satisfy creditors and remove the suspicions of wealth transfer to shareholders, firms with higher level of gearing tend to disclose more information (Barako, 2007). According to Ahmed and Nicholas (1994), companies in countries where financial institutions are the primary source of funds are likely to disclose more information if they have a higher level of gearing. However, is it worthwhile to mention that the some empirical evidences on whether the level of financial leverage affects disclosure of information are contradictory (Ahmad, Hassan, & Mohammad, 2003). Some studies have found a positive association between CSD and gearing (Bradbury, 1992; Naser, 1998); others have not found any significant relationship between CSD and gearing (McKinnon & Dalimunthe, 1993; Carson & Simnett, 1997).

Conclusion: The literature suggests that there is a positive relationship between the gearing level and the level of CSD.

There are strong grounds for supposing that there is a positive relationship between the size of the company and the level of CSD.

Many studies have shown that the company size is an important determinant of CSD (Lang & Lundholm, 1993; Wallace & Naser, 1995). According to Chow and Wong-Boren (1987) agency costs increase with firm size and therefore the need to provide more information. According to Watts and Zimmerman (1986) and Cowen, et al. (1987) larger firms have higher political costs due to their visibility. Such firms are therefore likely to disclose more information to improve their corporate image (Firth, 1979a). Ahmend and Courtis (1999) found size to be the most important determinant of CSD.

Conclusion: The literature suggests that there is a positive relationship between the size of the company and the level of CSD.

There are strong grounds for supposing that there is a positive relationship between the profitability of the company and the level of CSD.

More profitable firms are likely to disclose more information in order to distinguish themselves from less profitable firms (Akerlof, 1970). Several studies have shown that profitability and extent of disclosure are significantly associated (Wallace & Naser, 1995; Owusu-Ansah, 1998). However, there are other studies that have not found any relationship between profitability and disclosures (Wallace et al., 1994).

Conclusion: The literature suggests that there is a positive relationship between profitability and the level of CSD.

It is plausible to suppose that there is a positive relationship between the liquidity of the company and the level of CSD.

Higher liquidity companies are likely to disclose more social responsibility information because they want to publish their strong status (Abd-El Salam & Weetman, 2003). There are, however, researchers who have opposite opinion arguing that low liquidity companies may disclose more information in order to satisfy the information requirements of stakeholders (Hussainery, Elsayed, & Razik, 2011). Studies on whether

the level of liquidity influences disclosure levels have been inconclusive. Cooke (1989) found a positive relationship, Belkaoui-Riahi and Kahl (1978) found no relationship, but Wallace et al. (1994) found a negative relationship between liquidity and the level of disclosures.

Conclusion: The literature suggests that there is a positive relationship between liquidity and the level of CSD.

There are strong grounds for supposing that there is a relationship between the industry type of the company and the level of CSD.

Companies in different industry types face different social pressures (Ness & Mirza, 1991; Gao, 2009). Companies with a higher likelihood of impacting on the environment have a higher social pressure to disclose environmental information (Adams et al., Roberts, 1998; Uwalomwa, 2011). Companies with widely consumed products are also likely to disclose more social information (Branco & Rodrigues, 2008). Studies by Patten (1991), Roberts (1992) and Hackston and Milne (1996) have found a positive association between CSD and the type of industry in which the company operates.

Conclusion: The literature suggests that there is a functional relationship between the industry type and the level of CSD.

There are strong grounds for supposing that multinational companies disclose more social information than local companies

Literature shows that the country in which a company is operating in, affects the level of CSD by that company (Silberhorn & Warren, 2007; Pratten & Mashat, 2009). For example, Hame and Huse (1997), found that the country in which a company is operating, is an important factor influencing disclosure of corporate environmental information. Related to this is the country of origin. Studies have shown that subsidiaries of multinationals disclose more social information than their local counterparts.

Conclusion: The literature suggests that there is a functional relationship between the country of origin of the company and the level of CSD.

It is plausible to suggest that companies with dispersed ownership structure disclose more social information than companies with concentrated ownership structure.

Companies with a dispersed ownership are likely to disclose more information because of the agency conflicts that are likely to emerge (Depoers, 2000). Where ownership is concentrated the investors are able to get information privately and therefore do not need a lot of disclosure (Archambault & Archambault, 2003). Studies by Roberts (1992) and Ullmann (1985) have found that the degree to which ownership is concentrated on the hands of many investors influence positively the level of CSD.

Conclusion: The literature suggests that there is a functional relationship between ownership structure and the level of CSD.

It is plausible to suppose that a company with a high proportion of non-executive directors disclose more social information

The presence of non-executive directors helps increase the effectiveness of the board because they provide necessary checks and balances (Franks et al., 2001) and this reduces conflict between different stakeholders (Fama & Jensen, 1983). Various studies have shown that there is a positive relationship between the level of social disclosures and presence of non-executive directors (Chen & Jaggi, 2000).

Conclusion: The literature suggests that there is a positive relationship between proportion of the non-executive directors and the level of CSD.

There are some grounds to suppose that companies with dual leadership structure disclose more social information

One of the issues of corporate governance is the leadership structure (whether the chair of the board is also the CEO). Where the two roles are combined the board is significantly impaired and, therefore, cannot function properly (Barako, 2007). The CEO can act in his/her best interest because the board cannot effectively supervise him/her. Some studies have shown that there is a negative relationship between the combined role and the extent of CSD (Forker, 1992).

Conclusion: The literature suggests that there is a functional relationship between the presence of dual leadership and the level of CSD.

There are grounds to suppose that companies audited by the “big four” audit firms disclose more social information

According to Watts and Zimmerman (1986) due to the risk that auditors face where not enough information is disclosed, they are likely to influence their client to disclose as much information as possible. Larger audit firms are likely to influence more disclosure than small audit firms because of risk to their reputation (DeAngelo, 1981). Several studies indicate that indeed this is the case by showing a positive relationship between the size of the audit firm and corporate disclosure.

Conclusion: The literature suggests that there is a functional relationship between the auditor’s type and the level of CSD.

It is plausible to suppose that companies with an audit committee of the board disclose more social information

According to McMullen (1996), an audit committee increases reliability of financial reporting. They are commonly viewed as monitoring mechanisms that improve the quality of information flow (Bradbury, 1990). Ho and Wong (2001b) have shown that there is a positive relationship between corporate disclosures and the presence of audit committees.

Conclusion: The literature suggests that there is a functional relationship between the presence of an auditor committee and the level of CSD.

It is plausible to suppose that the perceptions, constructs and intentions of accountants affect the nature and level of CSD

Individuals develop and test constructs by perceiving the world based on the meanings they apply to it (Goffin, 2002). As they interpret the world they construct meanings based on their perceptions of the world (Crotty, 1998). Current and anticipated events are interpreted based on this personal construct system (Tan & Hunter, 2002).

Conclusion: Literature indicates that perceptions, constructs and intentions of accountants affect the nature and extent of CSD

The following synthesized outcomes are therefore suggested by literature:

1. There is a functional relationship between the gearing level, size, profitability, liquidity, the industry type, the country of origin, the ownership structure, between the proportion of the non-executive, between the presence of dual leadership, between the auditor's type, and the presence of audit committee and the level of CSD.
2. The perception, constructs and intentions of accountants affect the nature and level of CSD.

The synthesis summary

Gearing level is related to the level of CSD

High geared companies tend to disclose more corporate social information.

Size of the company is related to the level of CSD

Large companies tend to disclose more corporate social information.

Profitability of a company is related to the level of CSD

Highly profitable companies tend to disclose more corporate social information. This they do in order to distinguish themselves from less profitable companies.

Liquidity is related to the level of CSD

Liquid companies are likely to disclose more corporate social information because they want to show how sound they are.

Type of industry is related to the level of CSD

Companies in some industries disclose more information than those in other industries. Companies that tend to disclose more information are those that are in industries that are likely to affect the environment and those that deal with consumer goods.

Country of origin of a company is related to the level of CSD

In some countries companies are expected to be more involved in solving societal problems. Companies in such countries are likely to disclose more corporate social information than companies in countries where such expectations are high. Because of operating in many different countries multinationals are likely to disclose more corporate social information than companies operating locally.

Ownership structure is related to the level of CSD

Companies with diverse ownership are likely to disclose more corporate social information.

Presence of non-executive directors is related to the level of CSD

Companies with a high proportion of non-executive directors are likely to disclose more corporate social information.

Leadership structure is related to the level of CSD

Companies with dual leadership disclose more corporate information. This is because the CEOs become more accountable because they report to the chairpersons of the board of directors.

Type of auditor used by the company is related to the level of CSD

Companies audited by the major audit firms tend to disclose more corporate social information. This is because such audit firms have reputations to protect.

Presence of audit committee of the board of directors is related to the level of CSD

Where there is an audit committee of the board of directors more corporate social information is disclosed. This is because such a committee helps in ensuring that the control system is working well.

Perceptions, constructs and intentions of accountants are related to the nature and level of CSD

How accountants perceive and construe CSD affects its nature and level.

3.2 The Basic Theory

As a result of the literature synthesis, the following basic theory is formulated:

“Various company and corporate governance characteristics, and the way accountants construct their reality affect the level of CSD.”

3.3 The Research Questions

The research question is: *“Is the level of CSD affected by company characteristics, corporate characteristics and accountants’ construction of reality?”*

3.4 The Research Aim and Objectives

The research aim is: *“To show that the level of CSD is affected by company characteristics, corporate governance characteristics, and the accountants’ construction of reality”*

The research objectives are:

1. To determine the level of CSD in Kenya.
2. To determine company and corporate governance variables that influences the CSD practice in Kenya.
3. To determine the accountants’ perceptions and constructs in relation to CSD practice in Kenya.

3.5 The Research and Operational hypotheses

The research hypothesis is:

H₀: Company characteristics, corporate governance characteristics and the accountants’ construction of reality do not affect CSD

H₁: Company characteristics, corporate governance characteristics and the accountants’ construction of reality affect CSD

The operational hypotheses are:

Hypothesis 1

H₀: There is no positive association between the level of CSD and the gearing level of the company

H₁: There is a positive association between the level of CSD and the gearing level of the company

Hypothesis 2

H₀: There is no positive association between the level of CSD and the size of the company

H₁: There is a positive association between the level of CSD and the size of the company

Hypothesis 3

H₀: There is no positive association between the level of CSD and the profitability of the company

H₁: There is a positive association between the level of CSD and the profitability of the company

Hypothesis 4

H₀: There is no positive association between the level of CSD and the liquidity of the company

H₁: There is a positive association between the level of CSD and the liquidity of the company

Hypothesis 5

H₀: Level of CSD is not related to the industry to which the company belongs.

H₁: Level of CSD is related to the industry to which the company belongs.

Hypothesis 6

H₀: Level of CSD is not higher for multinational companies.

H₁: Level of CSD higher for multinational companies

Hypothesis 7

H₀: Level of CSD is not higher for companies with a more dispersed ownership structure

H₁: Level of CSD is higher for companies with a more dispersed ownership structure

Hypothesis 8

H₀: Level of CSD is not higher for companies with a higher proportion of non-executive directors on the board

H₁: Level of CSD is higher for companies with a higher proportion of non-executive directors on the board

Hypothesis 9

H₀: Level of CSD is not higher for companies with dual leadership structure

H₁: Level of CSD is higher for companies with dual leadership structure

Hypothesis 10

H₀: Level of CSD is not higher for companies audited by the big four audit firms

H₁: Level of CSD is higher for companies audited by the big four audit firms

Hypothesis 11

H₀: Level of CSD is not higher for companies with an audit committee of the board

H₁: Level of CSD is higher for companies with an audit committee of the board

Hypothesis 12

H₀: There is no difference between the way high disclosure companies and the low disclosure companies construe CSD.

H₁: There is a difference between the way high disclosure companies and the low disclosure companies construe CSD.

3.6 Overview of the Framework of Analysis

Literature has identified various company and company characteristics that affect disclosure of corporate social information. It has also shown that the accountants' construction of reality also affects the practice of CSD. This study, therefore, sought to determine which of the various company and corporate governance characteristics affect CSD practice in Kenya. In addition it sought to determine how accountants' construction in Kenya affects the way they disclose corporate social information. The

next chapter discusses the research methodology used to achieve the objectives of this study.

3.7 The need for CSD studies in Kenya

In the past, economic imperatives have been placed before social justice by policy makers and business leaders in Kenya. This has made business to focus more on profit maximization for their shareholders and have therefore overlooked the negative consequences of business operations. However, in the recent past, there has been increasing pressure on national and multinational companies in Kenya to get involved more in social responsibility activities. Such pressures have been exerted by many private sector-related initiatives and emerging specialist CSR organisations (Kivuitu, Yambayamba, & Fox, 2005).

Kenya is like many developing countries that due to the need for foreign direct investment are encouraged to adopt “globalization-inspired” policies such as international standards in accounting, auditing and corporate governance (Mahadeo et al., 2011). Such “globalization inspired” policies also include the need to be seen to be socially responsible. It is therefore important to know to what extent companies listed on the Nairobi Securities Market account for their social responsibility activities.

3.8 Conclusion

In this chapter, the literature is synthesised, basic theory formulated, and the framework of analysis presented. In the next the research methodology for the study is discussed.

CHAPTER 4 : RESEARCH METHODOLOGY

4.1 Introduction

Crotty (2005, p. 3) defines research methodology as “the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes”. The research methodology used in this study is presented in this chapter. The chapter starts by indicating the philosophy on which the research was based, the research designs and the techniques that were used to answer the research questions.

4.2 Mixed Methods Approach

This study uses a phenomenological approach that draws on both qualitative and quantitative analyses. The assumption that the “reality” is not objective and exterior, but is socially constructed, is the philosophy behind the phenomenological paradigm (Easterby-Smith et al., 2002). This approach was therefore suitable for this study because the main aim was to find out how accountants construe CSD and whether accountants in high disclosure companies construe CSD differently from accountants in low disclosure companies.

Mixed methods approach has been proposed by many researchers such as Bryman and Bell (2007), and Greene (2007), as an approach where the qualitative and quantitative techniques complement one another (Teddlie & Tashakkori, 2009). However, mixed methods, is more than mixing different techniques, it involves blending of both ontological and epistemological orientations (Creswell & Clark, 2011).

4.3 Research Design

In order to achieve the objectives, two different techniques for collection and analysis of data were used. These techniques were: the examination of annual reports (Street & Bryant, 2000; Street & Gray, 2001), and the examination of the perceptions of accountants (Duopnik, 1987; Joshi & Ramadhan, 2002). According to Bryman and Bell (2007) using more than one technique has recently become more common mainly because a broader and fuller picture of the phenomenon under study can be obtained by collecting data by different means and from different sources. The examination of the annual reports was done in order to describe the extent of disclosures. The examination of the accountants’ perceptions was done in order to understand why CSD was practiced in the way it was being practiced. This is important because understanding the accountants’ perception could be used for policy interventions.

In order to examine the annual reports disclosure indices were used (Guthrie & Abeysekera, 2006). Disclosure indices are used widely as a proxy for disclosure quality (Bravo, Abad, & Trombetta, 2009). It was also important to determine the disclosure index in order to classify the companies into two groups: high disclosure and low disclosure companies. Such a classification was important in determining how accountants construe social responsibility information. For the examination of the perceptions of the accountants on CSD the repertory grid technique was used. This technique was preferred by the researcher because it elicits the underlying constructs used by people to interpret what is happening around them and therefore inform their decisions (Rogers & Lynette, 2007).

In this research comparative case study design was used. It was comparative because two groups were compared: the high disclosure group and the low disclosure group in order to understand whether the accountants in the high disclosure company construed CSD differently from the accountants in the low disclosure company.

4.3.1 Disclosure Index

Financial disclosures cannot be measured in a precise way because researcher subjectivity cannot be removed entirely and, therefore, are difficult to quantify (Marston & Shrivess, 1991; Botosan, 1997). It is difficult to measure the intensity or quality of disclosure because it is an abstract construct (Wallace & Naser, 1995). As a consequence, proxies such as disclosure indices (Botosan, 1997; Garcia-Meca & Martinez, 2005) and content analysis (Williams, 1998) have been used to measure the extent of disclosures. In this study disclosure index was used to measure the CSD level.

A disclosure index is a sum of weights assigned to items of disclosures in order to measure the quality of the disclosures (Dhaliwal, 1980).

In order to determine the disclosure index, an item got one point if it was disclosed (Bukh, Gormses, & Mouritsen, 2001) but got a score of zero if it was not disclosed at all (Firth, 1979b). The disclosure index of a company was calculated as its score divided by the maximum score achievable (Tarmizi, 2007). This score was determined in a pilot study discussed in Chapter 5. The disclosure index was calculated using the following formula.

$$DI_j = \frac{\sum d_i^m}{n_j} \times 100$$

Where, DI_j is the disclosure index for j th firm, d_i is 1 if the item is disclosed and 0 if the item is not disclosed, n_j is the maximum number of items that can be disclosed by j th firm. The items included in the disclosure index calculation were also determined in the pilot study.

The disclosure index can either be weighted or un-weighted (Coy, Tower, & Dixon, 1993). In a weighted disclosure index, weights are assigned to items of information based on their perceived importance to different user groups (Tarmizi, 2007). This is based on the argument that some items are more important to users than others (Firth, 1979b). However, a weighted index has been criticized in that it can introduce bias toward certain user groups (Barako, 2007).

The un-weighted disclosure index is calculated with an assumption that items of information have equal importance to the users (Tarmizi, 2007) and that weights are subjective and do not represent real economic consequences to the users (Chow & Wong-Boren, 1987). Some studies have shown that use of both weighted and un-weighted indices produces similar results (Firth, 1980).

This study used an un-weighted disclosure index due to the fact that it is difficult to assign weights to different items due to the fact that CSD studies have not been done in Kenya.

There are arguments that it may be necessary to rely on any document that has information about a company and not to exclusively rely on annual reports (Momin, 2006; Guthrie & Abeysekera, 2006). Authors such as Gray et al. (1995b) have however argued that it is difficult to claim that one has studied all documents by a company and such an exercise may actually be impossible. Based on this argument, the researcher decided to use annual reports. The rationale for using annual reports is that though they are not the only source of disclosures they are the most important (Ho & Wong, 2001a) and are likely to be linked to other disclosures (Lang & Lundholm, 1993).

Reliability, validity and transferability

Reliability is concerned with the extent to which a measuring procedure is free from errors and yields consistent results (Zikmund, 2003). To test for and improve on reliability, the disclosure index calculated by the researcher was compared to the

disclosure index calculated by an independent evaluator. This is because indices or scores can only be reliable if they can be replicated by another independent person (Marston & Shrives, 1991). The independent evaluator was an auditor with a local auditing firm familiar with issues of corporate social responsibility disclosures (Barako et al., 2006a). The process of comparing was repeated until there was consensus. Validity is defined as the extent to which the measuring procedure measures what it is intended to measure (Cresswell, 2009). To achieve validity, senior accountants from the companies, were asked to check the accuracy of the computed disclosure index and they all agreed that it properly reflected what was disclosed. The extent to which the findings are appropriate or useful to theory and future research is referred to transferability (Lincoln & Guba, 1985). In this study, transferability was achieved by the fact that the study adopted methodology that has been used in similar researches across the world.

Data Analysis

Descriptive statistics

Descriptive statistics for dependent and independent variables were calculated in order to help explain the behaviour of the disclosures. Such descriptive statistics included the mean, maximum, minimum, standard deviation, skewness, and kurtosis.

Correlation analysis

Correlation analysis is done as a preliminary test whose purpose is to measure the relationship between dependent and independent variables and test the strength of a relationship (Pallant, 2001). Knowing the relationship between variables is important for theory building and it is also the building block for more sophisticated methods such as multivariate analysis (Howell, 2007).

In this study the Pearson and Spearman rank correlation coefficients for the independent variables were calculated. This is because some of the variables were ranked and others were interval values.

Regression analysis

According to Hair, Black, Babin, and Anderson (2009), the regression analysis is used to measure, explain and predict the degree of linkage between variables. In this regard, regression analysis was done in order to determine how different company and

corporate governance characteristics affected disclosure of social responsibility information.

The model presented below is based on the hypotheses developed in section 3.5, after a thorough review and synthesis of literature.

$$DI = \beta_0 + \beta_1GER + \beta_2SIZ + \beta_3PRO + \beta_4LIQ + \beta_5IND + \beta_6COU + \beta_7OWN + \beta_8NED + \beta_9DEL + \beta_{10}AUD + \beta_{11}AUC + \varepsilon$$

The variables of the regression models are defined in Table 4.1.

Table 4.1: Descriptions of the Regression Model Variables		
Variables	Descriptions	Expected relationship
DI	Disclosure index	
GER	Gearing ratio of the company. The gearing ratio is computed as total liability divided by total assets	Positive
SIZ	Size of the company. The revenue per year was used as the proxy for company size measured in Kenya Shillings (Kshs)	Positive
PRO	Profitability of the company. The Return on Equity (ROE) was used as the proxy for the company profitability	Positive
LIQ	Liquidity of the company. This was computed as current assets divided by current liabilities	Positive
IND	Industry to which the company belongs. Dummy variables were used for eight industrial categories	Positive/ Negative
COU	Country in which the country belongs. Multinationals were given a value of one and local companies a value of zero.	Positive
OWN	Ownership structure. The proportion owned by other shareholders other than the first 20 largest owners was used as a proxy for ownership structure. The higher it is, the more dispersed the ownership	Positive
NED	Presence of non-executive directors. The proportion of the non-executive directors was used.	Positive
DEL	Leadership structure. Companies with dual leadership structure were given a value of one and companies without a dual leadership structure were given a score of zero	Positive
AUD	Auditor type. Companies audited by the big four audit firms were given a score of one and all others a score of zero.	Positive
AUC	Presence of the audit committee of the board of directors. Companies with the audit committee were given a score of one and companies without were given a score of zero.	Positive
ε	Error term (residual value)	

The regression equation used panel data consisting of both cross-sectional and time series observations for the period 2006 to 2011. Panel data because of providing a large number of data points, reduces the collinearity among the independent variables and may also improve the efficiency of statistical estimates (Hsiao, 2003). However, it increases the degree of freedom. Panel data can help in detecting and measuring effects that cannot easily be observed in pure time-series or cross-sectional data and because of this it can be used to analyse dynamic changes (Gujarati, 2003).

4.3.2 Repertory grid technique

Rogers and Lynette (2007, p. 3) have defined the repertory grid as “a research tool that elicits the underlying constructs that people use to interpret what is going on around them and that inform their decision-making”. The grid has also been described as the methodological tool of PCT whose aims is to elicit concepts defined in the interviewees’ own words and enables individuals’ construct systems to be compared (Klapper, 2010).

The repertory grid use started in the field of counselling psychology and clinical practice (White, 1996) and later its application widened to disciplines such as education (Macsinga & Maricutoiu, 2008) and environmental management (Dima, 2010). It has also found its place in business research (Diaz de Leon & Guild, 2003) particularly in areas such as organizational behaviour (Jankowicz, 1990), entrepreneurship (Woods, 2006), strategic issue diagnosis (Dutton, Walton, & Abrahamson, 1989), marketing research (Pike, 2007; Rogers & Lynette, 2007), finance (Hisrich & Jankowicz, 1990) and intentional group development (Akrivou, Boyatzis, & McLeod, 2006).

One of the most powerful research tools offering insight into the attitudes, preferences and beliefs of interviewees is the in-depth interviews. However, there is evidence that in-depth interviews may not always access the underlying reality (Rogers & Lynette, 2007). Researchers may introduce bias and interviewees may say what the researcher wants to hear particularly when they have concerns about their confidentiality (Rogers & Lynette, 2007; Brown, 1992). To address the problem of not accessing the underlying reality, research tools such as conjoint analysis has been used where the product or concept is well defined (Backhaus, Wilken, Voeth, & Sichtmann, 2005; Cochran, Curry, Kannan, & Camm, 2006). The interviewer bias can be reduced by

training the interviewers and by cross-checking the results of their interviews. The repertory grid is the best technique where the topic is more exploratory or less defined (Rogers & Lynette, 2007).

The repertory grid is an investigative technique that reduces the observer's error and allows interviewees to reveal their own meaning about elements presented to them (Jankowicz, 2004). The technique has major benefits such as being able to elicit an individual's personal construct in order to access information embedded therein (Cassell, Close, Buberley, & Johnson, 2000). Furthermore, disclosure of information is by nature an abstract construct which is difficult to measure its intensity and quality (Wallace & Naser, 1995) and the repertory grid technique, therefore, helps to make the tacit knowledge on social responsibility disclosures explicit (Jankowicz, 2001). Due to the freedom the respondent has in making judgments, the technique is said to offer face validity (Pike, 2007).

In this study the repertory grid technique was necessary because the researcher intended to elicit CSD constructs from the respondents.

For each interviewee a new grid is developed. The researcher frames the grid with the elements listed horizontally and listed vertically are the constructs elicited from the interviewee (Rogers & Lynette, 2007).

Reasons for the choice of the repertory grid technique

For this study, the repertory grid was chosen instead of the depth interview. Depth interviews, though the most widely used technique in qualitative research, may not always access the underlying realities. This is because the interviewee may tell the researcher what he or she thinks the researcher wants to hear. The interviewer may also introduce bias in the way he or she elucidates questions (Rogers & Lynette, 2007). Researchers have tried to solve this problem by developing other tools such as conjoint analysis (Cochran et al., 2006). However, these methods are not very good where there is limited information and the research is more explanatory in nature (Rogers & Lynette, 2007). Rogers and Lynette (2007) suggest that for a study with limited information the repertory grid is better than the depth interview. This is also the view of Cassell et al. (2000) who indicated that the major benefits that can be derived from the

repertory grid is its ability to access information embedded in an individual's personal constructs.

The interest of this research is how accountants CSD. By understanding how accountants construe CSD, one is able to understand the practice of CSD in Kenya. This can be justified by the fact that there has been an increase in the number of management researches that have approached business research from a sense-making point of such (Jankowicz, 1990).

Elements

The things that are being examined are called elements (Rogers & Lynette, 2007). Kelly (1963) suggested that elements should be related to the subject and context of interest. They can be elicited from the interviewee or provided by the researchers (Jankowicz, 2004; Pike, 2007; Rogers & Lynette, 2007). In this study the elements were supplied by the researcher and were selected to be consistent with the objectives of the study (Marsden & Littler, 2000).

Practitioners of the repertory technique tend not to work with more than ten elements because too many elements make the grid become unwieldy (Rogers & Lynette, 2007). In this study the following social responsibility themes were used as the elements: environmental issues, energy conservation, employees, education, health, customer, products and others.

Constructs

The dimensions of what is being examined are called constructs (Rogers & Lynette, 2007). Constructs have a bipolar dimension, which implies that the meaning of a word is not determined by the word itself but by its opposite (Marsden & Littler, 2000).

According to Kelly (1963) constructs should be elicited from the interviewee. However, sometimes constructs can be supplied by the researcher (Jankowicz, 2004). According to Jankowicz (2004) an overall constructs is supplied in order to assess the individual's overall understanding of a topic. In this case an overall construct "influence disclosure" was supplied by the researcher.

Respondents were requested to compare and contrast the different elements relevant to the CSD in order to elicit constructs. There are a number of ways in which constructs can be elicited (Fransella, Bell, & Bannister, 2004). This study used the minimum context card form (Harris, 2001). After a construct is elicited the respondent was requested to rate the elements on the constructs using a 5-point scale (Barbara & Swailes, 2004). The rating of the elements on a construct was done before eliciting another construct (Fransella et al., 2004; Jankowicz, 2004).

Data analysis

Data analysis for each respondent was done immediately after the interview in line with the suggestions by Jankowicz (2004). When all the interviews were done, content analysis was used to categorize constructs based on their expressed meaning (Jankowicz, 2004). Using this technique constructs were pooled and categorized based on common themes. Constructs were classified into categories using bootstrapping (Jankowicz, 2004; Dima, 2010). A differential analysis of the content data was done in order to contrast companies with high disclosure indices and those with low disclosure indices (Jankowicz, 2004). To test the reliability of the content analysis, two researchers categorized the constructs independently. A 90% agreement was targeted (Diaz de Leon & Guild, 2003; Jankowicz, 2004). Additionally, content analysis method using the Honey's technique theory (1979) was done.

The principal component analysis was used to indicate how different constructs elicited group together and relates to each other (Barbara & Swailes, 2004). The distance between constructs was reported and statistical indicators were produced to show the likelihood of constructs appearing near each other by chance (Barbara, 1996). Cognitive maps were drawn from the results and a process of comparison and reduction used to cluster constructs with similar meaning together (Barbara & Swailes, 2004).

4.4 Sample Design and Details of Data Collection Process

All the 54 companies listed on the Nairobi Securities Exchange (NSE) were considered in the disclosure index technique. To allow for longitudinal analysis of data only companies that have traded for the period 2006 to 2011 were used. Annual reports for the year 2012 were not be used in the study because most of them had not been published when the data for the study were being collected. Company characteristics

and corporate governance attributes were collected from the annual reports. This is in line with similar studies (Barako, 2007).

For the repertory grid technique 6 companies were purposely selected: 3 from the high disclosure group and 3 from the low disclosure group. In each company 5 senior accountants were interviewed. The total number of respondents was, therefore, 30: 15 from high disclosures companies and 15 from low disclosures companies. This is in line with the comparative case study design used for this study.

This number of respondents is enough because, in order to approximate the “universe of meaning” in a given context, a sample size of between 10 and 15 respondents generate enough constructs (Dunn et al, 1986; Crudge & Johnson, 2004). This is because the unit of analysis is not the individual respondent but the number of constructs generated.

4.5 Research Ethics

According to Dotterweich and Garrison (1998) ethical issues in business research include the following: falsifying data, violating the confidentiality of a respondent, ignoring contrary data, use of inconsistent statistical treatments, selective reporting of data, use of the same data for several papers, plagiarism.

The researcher in this study tried to be as ethical as possible. For example:

1. Respondent’s confidentiality was strictly observed.
2. The researcher used procedures to establish reliability of data collection and analysis. For example, use was made of an independent evaluator in content analysis.
3. The researcher consulted experts in statistics to ensure that the correct statistical analyses were done.
4. All data collected were reported.
5. Sources of information used in this research are properly acknowledged.

4.6 Conclusion

This chapter has explained the research methodology used in this study. It has explained that the study used the phenomenological approach and that the design was a

comparative case study. The disclosure index and the repertory grid techniques are explained. These are the two techniques that were used in this study.

In the next chapter the pilot study is presented.

CHAPTER 5 : PILOT STUDY

5.1 Introduction

A pilot study was conducted as a feasibility study for the main study. Just as the main study was expected to be, two techniques were used: (i) the disclosure index technique and (ii) the repertory grid technique.

5.2 Disclosure Index Technique

The objectives of the pilot on the disclosure index method were to:

- (a) Determine the items to include in the disclosure index calculation.
- (b) Examine disclosure index measurement reliability.

5.2.1 Method

To achieve the objectives, 20 companies were randomly selected that met the criteria of being selected in the final sample. The main criteria being that the company must have been listed for the previous 5 years. For the purpose of the pilot study the annual reports for the year 2010 for the 20 selected companies were evaluated. This is because the annual reports for the year 2011 had not been published when the pilot study was conducted.

Identifying the themes for disclosure index

One decision that a researcher has to make in a study of this nature is what themes are considered CSR. According to Momin (2006), CSR themes change over time because society's expectation changes over time. The themes to include in the disclosure index were identified in the literature review (See section 2.3.7). The researcher together with the independent evaluator examined the initially identified themes (Table 2.1) for relevancy to Kenya and where necessary restated them. These themes were: community activities, environmental and energy, employee information, customer and production information, and other social information. These themes were further divided into sub-themes. Initially 79 different sub-themes were identified that were likely to be disclosed by firms in Kenya. These sub-themes were further reclassified and reduced to 35. Some were combined because they were similar and therefore referred to the same thing. Others were removed because they were disclosed by only one or two firms. A theme was retained if it had been disclosed by 5 out of the twenty firms. Those that were disclosed by less than 5 firms were considered not to be sufficiently important to be

identified as separate themes and therefore were combined with others with close meanings. These 35 sub-themes were, therefore, identified as the sub-themes applicable to the Kenyan situation and were used for the purposes of the pilot study (Appendix 1).

Reliability of Disclosure Index

The purpose of testing the reliability of the disclosure index is to ensure that findings arising from the technique are sensible, repeatable and consistent. This was done by the use of two researchers independently evaluating the annual reports and comparing the results. I evaluated the reports for the 20 companies and an independent researcher did the same. In the overall themes (i.e. environmental, energy, education, etc.) the agreement was 90%. However, in the sub-themes the agreement was 84%. The community activities theme was the main theme where there were disagreements. There were a number of items that I classified as community activities that the other researcher classified in the other categories and there were items that I classified in the other categories that the other researcher classified as community activities. The researcher and I discussed the differences and reclassified until we reached 100% agreement on the common classifications.

The disclosure indices calculated were, therefore, based on the reclassified themes (Appendix 1).

Disclosure index

A disclosure index is a sum of weights assigned to items of disclosure in order to measure the quality of the disclosures (Dhaliwal, 1980). In order to calculate the disclosure index an item got a point if it was disclosed and zero if it was not disclosed at all (Firth, 1979b; Bukh et al., 2001). The disclosure index of a company was determined as described in Section 4.3.1.

The findings indicate that the highest disclosure index computed was 62.86% and the lowest was 20%, the average was 36.24%. The figure below show the distribution of the disclosure indices calculated from the 20 companies. It is clear from the figure that the disclosure indices calculated can be grouped into two: high disclosure and low disclosures. This observation was important to the research design for the repertory grid study, which depended on examination of the thinking in firms divided by contrasting into high disclosing and low-disclosing firms.

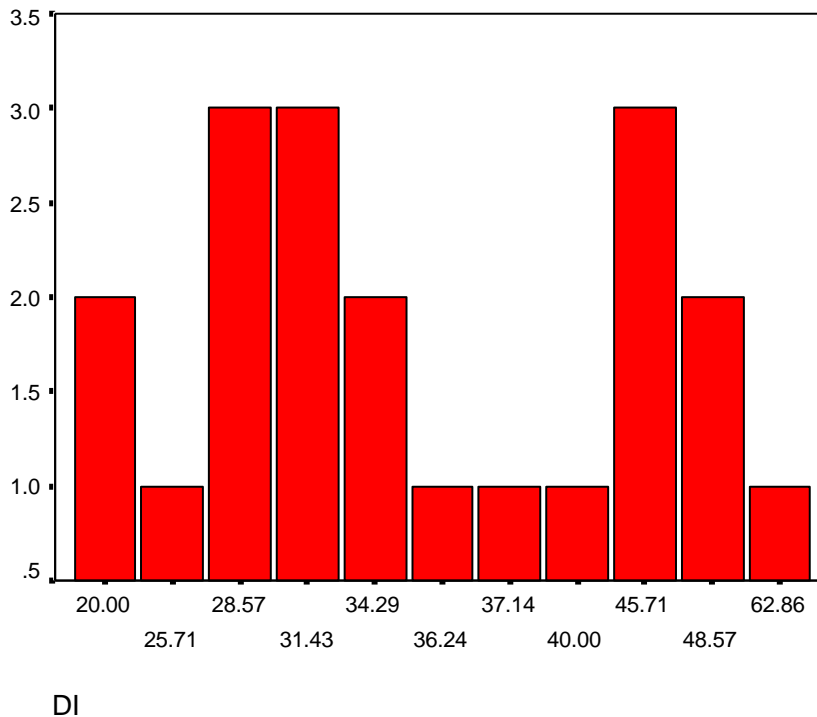


Fig. 5.1: Disclosure Indices of the 20 Companies

5.2.2 Conclusions and implications for the main study

The conclusions are based on the objectives of the disclosure index technique.

Objective 1: To determine the items to include in the disclosure index calculation

The literature review and the pilot study helped the researcher determine which items to include in the final research study. The identified 35 sub-themes were used in the main study.

Objective 2: Examine disclosure index measurement reliability

The disclosure index tool obtained is robust and reliable for the main study because it was obtained by comparing the disclosure index I obtained and the disclosure index obtained by the independent researcher and the discussions and agreement thereafter. ,

5.3 Repertory Grid Technique

The objectives of the pilot on the repertory grid method were to:

1. Determine and understand constructs making up the mind-set of accountants in relation to CSD. Results in the pilot stage were not expected to be conclusive but were supposed to help in understanding the realm of discourse and get a feeling for the kinds of constructs that are likely emerge in the final research stage.

2. Estimate an average number of constructs per interview. This was important because it helped determine the number of interviews needed in the final research phase. For conclusive results a total of about 300 to 350 constructs is needed.
3. Assess the reliability of the repertory grid analysis procedure for CSD.

5.3.1 Method

Two companies were selected and a senior accountant from each interviewed. The companies were selected based on the extent to which they disclosed social responsibility information and from the two categories identified in Fig. 5.1 above. One of the selected companies had a high disclosure index and the other had a low disclosure index. Two repertory grids were therefore generated and these are presented in Appendix 2.

Respondents were requested to compare and contrast different elements relevant to the CSD in order to elicit constructs. These elements were the main CSD themes derived from literature reviewed and themes identified in Section 3.7.1 above. The main themes identified were: environment, energy, health, education, hunger relief, corporate governance, consumer and product information, and other social information.

The minimum context card form was used where three randomly selected elements were presented to the interviewees (Harris, 2001). Then, the following question asked, “How is one of these different from the other two in relation to Corporate Social Disclosures”? Each answer to the question generated a construct. After a construct was elicited the respondent was requested to rate the elements on the constructs using a 5-point scale (Barbara & Swailes, 2004). The rating of the elements on a construct was done before eliciting another construct (Fransella et al., 2004; Jankowicz, 2004).

5.3.2 Data Analysis

Data analysis involved two stages: individual cases analysis and cross-cases analysis (Jankowicz, 2004; Dima, 2010). The individual cases were analysed involving the description of the structure of the grid using cluster analysis and the principal

component analysis (Jankowicz, 2004). In cluster analysis similarity codes are generated using an algorithm that calculates sum of differences between ratings in each grid for columns and rows (Diaz de Leon & Guild, 2003) after which most similar constructs are presented side by side in a dendrogram (tree-diagram format) (Jankowicz, 2004). “Branches” are used to connect constructs with a comparable percentage of similarity which is a reflection of how the individual thinks in relation to the topic.

The principal component analysis (PCA) is used to indicate how different constructs elicited group together (Barbara & Swailes, 2004). In PCA successive components are extracted based on patterns of variability. The first component accounts for the largest proportion of variation, the second accounts for the next-largest proportion of variation and so on (Adams & Kuasirikun, 2000; Diaz de Leon & Guild, 2003; Jankowicz, 2004).

Principal component maps are generated for each participant and indicate the principal components and how elements and constructs are positioned along each component. The angles between the any two constructs indicate levels of correlation with big angles indicating low correlation (Jankowicz, 2004).

The different variations indicate individual associations of different issue aspects or levels of cognitive complexity (Fransella et al., 2004). A higher cognitive complexity indicates a variety of aspects being considered and a low cognitive complexity indicates one or two dominating themes (Adams-Webber, 1996). The higher the variation in the first component the lower is the cognitive complexity.

In the cross cases analysis content analysis was used where constructs were pooled and categorized based on common themes using Honey’s technique (Honey, 1979). A differential analysis of the content data was also done in order to contrast the companies (Jankowicz, 2004).

Microsoft Office Excel 2010 and WebGrid 5 (Gaines & Shaw, 2010) were used for data analysis.

5.3.3 Results

From the two interviews, a total of 26 constructs were elicited which indicate an average of 13 constructs per interview. This indicates that, in the main study, about 30 respondents were required (15 from high disclosure companies and 15 from low disclosure companies) for the study to generate enough constructs for proper content analysis.

Individual grid analysis

Cluster analysis

Appendix 3 Diagram 1 (high disclosure company) indicates that there are five clusters. The first sub-cluster associates four constructs (92.5% degree of similarity) and reflects the respondent's perceived importance of CSD in enhancing a good corporate image, the company being seen as caring for the poor as well being seen as helping the government to achieve its goals. The second sub-cluster combines six constructs (at 87.5% degree of similarity) and add three constructs to the three above: helps to determine the correct profit figure, being seen to be concerned about the customer and being seen as helping the customer make a decision.

The cluster analysis also indicates the respondent highly associates (at 90%) health and education information. And closely associated with these two (at 85%) was hunger relief. Another cluster involves five elements (at 85%) and closely associates environmental, energy, product, corporate governance and employees' information.

This suggests that the high disclosure companies may be concerned with enhancing reputation and being seen as caring for the society. However, this result is only tentative because it is based on only one firm.

Appendix 3 Diagram 2 (low disclosure company) has six construct clusters. The first sub-cluster associates two constructs (100% similarity) and reflects the respondent's perceived importance of CSD in settling disputes among stakeholders and to show involvement in hunger relief efforts. Closely associated at 90% are the constructs that the company gets a good name and that the company shows that it supports government efforts by disclosing social responsibility information. Other constructs associated at 90% are that disclosures have direct financial benefits and make decision-making easier.

The respondent also associates energy and product information (at 93.8% degree of similarity). Education and health are associated at 89.6% degree of similarity, and environmental and other social information are associated at 87.5% degree of similarity.

These similarities were indicative of how the two respondents thought about CSD. The main study would therefore try to determine whether this is the mind-set of the respondents in the two categories: high disclosure and low disclosure companies.

Principal component analysis

The maps generated by the principal component analysis and the percentage variance for each component is illustrated in Appendix 4. The unit of analysis is the construct and not the individual respondents.

The total variance in the first two components was 71.9 % for the high disclosure companies and 74.7% for the low disclosure companies. A comparison of the variance contributions in high and low disclosure companies can indicate whether there is a difference in cognitive complexity. Cognitive complexity refers to the extent to which an individual associates different aspects of an issue. An individual with high cognitive complexity is able to differentiate and integrate different aspects of an issue and form associations (Adams-Webber, 1996).

Lower variance indicates higher cognitive complexity. The difference is not great, but there is a suggestion that the respondent in the high disclosure company has a higher cognitive complexity. This is because the high disclosure company respondents' thinking is made up of relatively more constructs and therefore they are in some sense more complex because they are more varied in their thinking.

For the high disclosure company (Appendix 4, Diagram 1), constructs showing concern for the customer, aids customer make decisions, and show support for the education sector are closely related to the first component and are therefore relatively more important in the person's cognitive structure.

For the low disclosure company (Appendix 4, Diagram 2), constructs related need to disclose, difficult to measure and the CSD has no direct benefits are considered relatively more important by the respondent.

Cross-cases analysis

Content analysis

The constructs were content-analysed and categorised using a bootstrapping technique as explained by Jankowicz (2004, p. 149). Bootstrapping technique involves categorizing constructs according to the meanings that they express as identified by the researcher during analysis of this particular data-set, rather than using pre-defined categories obtained from literature. In this case, each construct is compared with another and if the two are similar they are placed in a category and if different they are placed in different categories. This continues until all constructs are categorised and may involve redefining categories.

The initial categorization was done by me and another categorization by another researcher. A success rate of 80% was initially achieved. A 96% consensus was however reached after discussions and reclassification.

A total of four categories: reputation, gain/loss, concern for society and conflict resolution were revealed through a process of bootstrapping. In order to meet the purpose of the research, the constructs and their corresponding categories for the high disclosure company and the low disclosure company were kept separately (Appendix 5).

The high disclosure company the main constructs were placed primarily in the concern for society category (60%), followed by reputation (23.1%). For the low disclosure company, the main constructs were in the gain/loss category (45.5%), followed by concern for society (27.3%). The conflict resolution comes third at 27.3% (Appendix 6).

It can, therefore, be concluded that concepts related to concern for the society, are important for the high disclosure company. For the low disclosure company, issues to do with how CSD affects the company are very important.

Content analysis using Honey (1979) technique

The Honey (1979) technique was developed to help refine the basic content analysis. According to Jankowicz (2004), the method apart from aggregating the set of constructs into categories also allows the individual views to be taken into account by using the ratings on the constructs. All constructs are evaluated against an overall construct supplied to all interviewees. In this case the overall construct was “influence disclosure”.

The procedure involves calculating the sum of differences between an interviewee’s ratings on each construct, and that particular interviewee’s ratings on the overall construct. Constructs that have a high similarity score are in some sense more important to the individual in question: they are more closely related to the topic of the grid as the particular individual construes it.

The results of this technique are illustrated in Appendix 7. It is possible to show that, for example, the high disclosure company respondent seems to indicate that enhancing positive image for the company is the highest concern (85%) followed by concern for the society (70%). These relate to reputation and concern for society respectively.

The low disclosure company seems to be concerned with ease of measurement and the need to be seen as supporting the government effort (both at 70%). These relate to gain/loss and concern for the society categories.

Cross-case analysis

Constructs

There was a lot of commonality between the 26 constructs elicited from both respondents. However, the association given to them by the two respondents was not similar. The high disclosure company seems to care more about the reputation and what the company is seen to do for the society. Reputation as a motivation for disclosures has been cited by researcher such as Toms (2002). The low disclosure company seems to be more interested in whether the disclosures will help the company in an economic way because the issues of gain or loss are very prominent. This seems to agree with Murray, Sinclair, Power and Gray (2006) who said that CSD cannot have economic consequences for the company. The low disclosure company is also concerned about the need to be seen to care for the society.

The main study would, therefore, determine whether the above pattern was discernible for most of the companies or what similar patterns characteristic of low and high disclosure firms exist.

Elements

The high disclosure company seemed to associate highly issues to do with health, hunger relief, and education. This is probably because of the need for the company to enhance its reputation by being seen to care for the society using the information disclosed. Therefore the association between elements seems to have the same interpretation as the association between constructs: that enhancing reputation is the main motivation to disclose social responsibility information by the high disclosure company.

The low disclosure company seemed to associate very highly the issues of energy and product. These are issues that relate to the economic benefits that the company can derive by disclosing the information. Just like the case of the high disclosure company it appears that the association between elements and the association between constructs seemed to agree that the economic gain was the main consideration for low disclosure company to disclose social responsibility information.

5.3.4 Outcomes for methodology

The outcomes for methodology are discussed based on the objectives of the pilot study.

Objective 1: Determine and understand constructs making up the mind-set of accountants in relation to CSD.

Though the pilot study could not be conclusive it did indicate that the two respondents had different ways of construing their environment. This could be the reason why the two companies practiced CSD differently. To explore this further, the main study involved respondents from high disclosure companies and low disclosure companies.

Objective 2: Estimate an average number of constructs per interview

In this pilot study, 14 constructs were elicited from the respondent of the high disclosure company and 12 from the respondents of the low disclosure company. This

gave an average of 13 constructs per company. In order to generate about 300 constructs about 23 companies were required in the final study (300/13). This means about 12 respondents from high disclosure companies and 12 respondents from low disclosure companies. However, in order not to underestimate the number of respondents required, 15 respondents from each of the categories were used.

Objective 3: Assess the reliability of the repertory grid analysis procedure for CSD

The repertory grid technique was found reliable for this kind of study. Just like the pilot study, two independent researchers were used in the content analysis of the main study to make sure that the results obtained were reliable.

5.3.5 Conclusion

Though the pilot study was only indicative and therefore cannot be conclusive, it did show that a research study of CSD using repertory grid was possible and that a coherent account of high and low disclosure thinking could be given. Because it is not possible to give a coherent account based on two respondents, the main study was expected to show similarly and coherent differences between the two groups. The pilot study indicated that the grid elicitation and use of the cluster and the principal component analyses could help in identifying constructs and differentiating the thinking between the high disclosure and low disclosure companies, and that the use of content analysis could help in determining the categories and frequency of the constructs. Honey's technique is used to determine the indices which help in ranking the constructs in order or importance.

In the next chapter the results of the main study are presented.

CHAPTER 6 : FINDINGS AND ANALYSIS

6.1 Introduction

This chapter reports on the findings of the study. The chapter is divided into two main sections: Section 6.2 and Section 6.3. Section 6.2 presents findings on the disclosure index and Section 6.3 presents findings on the repertory grid interviews.

Discussions on the results of company and corporate governance characteristics, and the impact of the constructs on the intention to disclose corporate social information are presented in the next chapter.

6.2 Disclosure Index Technique

6.2.1 Introduction

Corporate annual reports of different company were examined to determine CSD practices of listed companies in Kenya A total of 324 annual reports for the periods 2006 to 2011, representing 54 listed Kenyan companies from different sectors (Section 4.4 and Table 6.1), were analysed and disclosure index calculated. These 54 companies were all companies listed in the Nairobi Securities Exchange and had traded between 2006 and 2011.

Industrial Sector	Number
Manufacturing and Allied	7
Commercial and Services	6
Energy and Petroleum	4
Telecommunications and Technology	2
Banking	10
Construction and Allied	5
Agricultural	7
Insurance	5
Automobile and Accessories	4
Investment	4
Total	54

The disclosure index a company could score was 0 (where a company did not disclose any of the items identified in the pilot) to 100% (where a company disclosed all items identified in the pilot). This section presents trends in social responsibility disclosures, and also bivariate and multivariate analyses.

6.2.2 Trends in Social Disclosure

Table 6.2 presents the average indices by industry sector and also the overall average. The table indicates that from the year 2006 to year 2011, disclosure of corporate social information increased steadily from an average index of 19.86% in 2006 to an average index of 38.73% in 2011. The table also shows CSD increased in all the industrial sectors. This finding is similar to many studies that have shown that CSD has been increasing in annual reports of most companies since 1990s (Firth, 1979b; Gray, at al., 1995b; Naser, 1998; Momin, 2006).

The industry category with the most disclosed social responsibility information was ‘Manufacturing and Allied’, followed by ‘Commercial and Services’. The industry category with the least disclosed social responsibility information was the ‘Automobiles and Accessories’.

Industrial Sector	2006	2007	2008	2009	2010	2011	Average	t-test	P> t
Manufacturing & Allied	34.29	37.14	42.86	46.86	54.29	54.86	45.05	3.06	0.006
Commercial & Services	35.71	40.00	41.43	42.86	51.43	54.29	44.29	3.19	0.005
Energy & Petroleum	28.57	30.71	45.71	47.14	55.00	57.14	44.05	2.27	0.027
Telecommunications & Technology	23.67	26.94	35.10	39.18	37.96	41.22	34.01	0.72	0.243
Banking	20.29	24.29	29.14	31.71	37.14	39.14	30.29	-0.17	0.433
Construction & Allied	13.81	19.05	32.38	35.24	39.05	41.90	30.24	-0.14	0.445
Agricultural	15.10	24.90	31.02	32.24	32.65	33.06	28.16	-0.69	0.253
Insurance	11.43	22.86	28.57	28.57	28.57	28.57	24.76	-1.52	0.079
Automobile & Accessories	7.86	11.43	14.29	15.71	18.57	20.71	14.76	-4.61	0.001
Investment	7.86	13.57	16.43	16.43	16.43	16.43	14.52	-5.02	0.001
Overall average	19.86	25.09	31.69	33.60	37.11	38.73			

The t-test was calculated for an industrial sector and the overall average in order to determine whether the industrial sector average was significantly different from the overall average. The results indicate that the average indices for “Manufacturing and Allied”, “Commercial and Services”, and “Energy and Petroleum” were statistically higher than the overall average. The average indices for “Insurance”, “Automobile and

Accessories”, and “Investment” industrial sectors were statistically lower than the overall average.

The finding that different industrial sectors have significantly different levels of CSD agrees with findings in many studies. For example, research in Singapore by Tsang (1998) found that banks disclosed significantly less information than hotels. Most of these studies find that the manufacturing sector discloses more social information than other industrial sectors (Ratanajongkol et al., 2006).

The researcher was interested to find out how annual reports disclosed different social responsibility themes. These themes had been identified in the literature review (Section 2.3.7 and Table 2.1) and confirmed by the Pilot Study (Section 3.2.1) as the main CSD themes disclosed in annual reports in Kenya. Table 6.3 presents average disclosure index by themes.

Themes	2006	2007	2008	2009	2010	2011	Average	t-test	P> t
Community Activities	6.74	11.49	15.33	16.15	17.09	17.77	14.09	4.93	0.001
Environmental and energy	5.13	5.22	5.68	5.59	5.67	5.55	5.47	0.78	0.234
Employee information	2.95	3.14	4.47	5.24	6.43	7.26	4.91		
Other social information	2.68	2.89	3.74	3.89	4.96	5.19	3.89	-1.24	0.125
Customer and product information	2.36	2.36	2.47	2.72	2.97	2.97	2.64	-3.16	0.012

According to Table 6.3 community activities theme was the most disclosed, followed by environmental and energy information. Customer and product information was the least disclosed theme.

The t-test was calculated comparing other themes with employee information theme which is middle theme in terms of disclosure. The t-tests indicate that community activities disclosure was significantly more than employee information disclosure. And Customer information and product information were significantly less disclosed compared to employee information disclosure. “Environmental and energy” information and “other social” information were not statistically different from the employee information.

Findings in different studies are varied. For example, Ratanajongkol et al. (2006) findings indicated that “employee information” was the most disclosed information followed by “community information”.

6.2.3 Descriptive statistics

Descriptive Statistics deals with summaries of numerical facts, or data, in order to give a general view. These summaries may be sufficient, but also can form the basis of a more extensive statistical analysis (Mann, 2006).

Descriptive statistics of the variables in this study are provided in Table 6.4.

	N	Min.	Max.	Mean	Std. Deviation	Skewness	Kurtosis
Disclosure index (DI)	324	2.50	94.29	33.39	20.038	1.1	0.8
Gearing (GER)	324	14.00	45.00	28.68	6.389	0.2	-0.5
Size (SIZ)	324	3.33	68.6	22.21	14.733	1.1	-0.6
Profitability (PRO)	324	3.00	67.24	21.16	13.144	1.1	-0.9
Liquidity (LIQ)	324	0.67	2.63	1.40	0.330	0.7	-0.4
Ownership (OWN)	324	18.00	44.00	31.15	6.018	-0.4	-0.9
Non-Executive Directors (NED)	324	60.00	90.00	78.15	8.623	-0.3	-1.2
Industry 1 (IN1)	324	0.00	1.00	0.87	0.336	-2.2	2.9
Industry 2 (IN2)	324	0.00	1.00	0.81	0.389	-1.6	0.7
Industry 3 (IN3)	324	0.00	1.00	0.91	0.290	-2.8	6.0
Industry 4 (IN4)	324	0.00	1.00	0.89	0.315	-2.4	4.2
Industry 5 (IN5)	324	0.00	1.00	0.93	0.262	-3.3	8.7
Industry 6 (IN6)	324	0.00	1.00	0.91	0.290	-2.8	6.0
Industry 7 (IN7)	324	0.00	1.00	0.93	0.262	-3.3	8.7
Industry 8 (IN8)	324	0.00	1.00	0.87	0.336	-2.2	2.9
Industry 9 (IN9)	324	0.00	1.00	0.96	0.189	-4.9	22.4
Country (COU)	324	0.00	1.00	0.33	0.472	0.7	-1.5

The findings presented in Table 6.4 indicate that there was wide variation in the values of most of the variables. For example the Disclosure Index ranged from 2.5% to 94.29% with an average of 33.39% and a standard deviation of 20.04%. Size ranged from Kshs3.33billion to Kshs68.60billion with a mean of Kshs22.21billion and a standard deviation of Kshs14.73billion. The variables IN1-9 and COU are dummy variables that could have a value of 0 or 1. The dummy variables were used where the variables represent categories of qualitative explanatory variables (Refer to Table 4.1 for the description of the variables).

The Skewness test indicates that the dependent variable “Disclosure Index” and the independent variables “size” of the company and “profitability” may not be normally distributed. To further test whether the variables are normally distributed, the Shapiro-

Wilks (Shapiro & Wilk, 1965) test of normality was conducted. The null hypothesis that the variables are normally distributed was rejected because all the calculated values were less than $P=0.05$.

All the variables (except the dummy variables) were therefore transformed into their logarithmic values for the purposes of multivariate analyses. Because it only changes the scale on which a variable is measured, logarithmic transformation reduces the skewness of data without affecting the direction of the relationship between the dependent and independent variables (Vlachos, 2001).

6.2.4 Tests of Collinearity between the independent variables

The Pearson and Spearman rank correlation coefficients for the independent variables were determined (Appendix 8). The independent variables had very low correlation coefficients except profitability and size with 0.832 in the Pearson test and 0.762 in the Spearman rank correlation test. This may indicate the presence of multicollinearity between the two variables because according to Gujarati (2003), multicollinearity presents a statistical problem where the correlation coefficient exceeds 0.8. To further test for multicollinearity the Variance Inflation Factor (VIF) and the Tolerance were calculated.

Independent Variables	Collinearity Statistics	
	Tolerance	VIF
GER	.847	1.181
SIZ	.410	2.437
PRO	.333	3.007
LIQ	.824	1.214
OWN	.556	1.798
NED	.677	1.477
IN1	.366	2.730
IN2	.297	3.365
IN3	.383	2.614
IN4	.416	2.405
IN5	.474	2.108
IN6	.436	2.295
IN7	.505	1.978
IN8	.366	2.736
IN9	.543	1.840
COU	.840	1.191

The results in Table 6.5 indicate that the Tolerance ranged from 0.297 to 0.847 and VIF factors ranged from 1.181 to 3.365. This means that there was no problem of multicollinearity because according to Belsley, Kuh and Welsch (1980) such a problem is deemed to exist if the Tolerance level is below 0.1 and the VIF factor is above 10.

6.2.5 Heteroscedasticity and autocorrelation

One of the assumptions of ordinary least squares (OLS) regression analysis is that the distributions of error terms are the same and that they are not serially correlated (Marno, 2004). If the distributions of the error terms are not the same then there is a problem known as heteroscedasticity. Where the heteroscedasticity occurs OLS does not provide estimates with the smallest variance which means that significance test can be either too high or too low (Studenmund, 2011). Where the error terms are serially correlated, there is a problem known as autocorrelation. Where this problem occurs, the t-scores are overestimated because the standard errors tend to be underestimated (Marno, 2004; Studenmund, 2011).

It is therefore important that before running a regression analysis these two problems are tested and where detected, corrective measures are taken.

The Lagrange Multiplier (LM) (Balgati, Bresson, & Pirotte, 2006) test of heteroscedasticity for panel data indicated presence of heteroscedasticity ($\chi^2 = 221.11$; P value = 0.001). Autocorrelation was tested using the Woodridge test (Woodridge, 2002) of autocorrelation for panel data. The Woodridge test also indicated the presence of the problem of autocorrelation ($F=188.957$; P value = 0.000).

To counter the problems of heteroscedasticity and autocorrelation, Newey-West (1987) standard errors were used in the multivariate analysis.

6.2.6 Multivariate analysis

Multivariate analysis helps in determining the relative contributions of various independent variables on a dependent variable (Katz, 2011). Due to the fact that there are several factors that have been identified as determinants of CSD, carrying out multivariate analysis was necessary to determine their various contributions to disclosure of social responsibility information.

Because the research involved panel data it was necessary first to check whether the fixed-effects or the random-effects model pertains. Statistically, the fixed-effects model is the model for panel data multivariate analysis. However, sometimes the random-effects model produces better estimators. One has therefore to choose whether to use the fixed-effects model or the random effects model. Hausman test (Hausman, 1978) is used to test whether the coefficients estimated by the fixed-effect model and the random effect model are the same. Significant P value shows that coefficients are different and therefore the fixed effect model should be used.

In this case the $\chi^2(5)$ had a value of 30.11 and a $\text{Prob}>\chi^2 = 0.001$. This means that the χ^2 was significant and therefore the fixed-effects model was the best model to use in the regression analysis. However, after running the fixed-effects regression some of the dummy variables that do not change over time get omitted from the model. A time-invariant variable is omitted from the fixed-effects model because such models are designed to study the causes of changes within the entity being studied (Kohler & Kreuter, 2009). In such a case it is advisable to use the random-effects model (Plumper, Troger, & Manow, 2005).

The regression analysis was therefore conducted using the random effect model and the results obtained are presented in Table 6.6.

Variables	Coefficient	Newey-West Standard Errors	T-test	P> t
Constant	0.18	1.19	0.15	0.882
GER	-0.11	0.10	-1.08	0.279
SIZ	0.80	0.06	12.95	0.001
PRO	0.19	0.06	2.99	0.003
LIQ	0.29	0.12	2.54	0.012
OWN	0.42	0.19	2.23	0.026
NED	0.27	0.23	1.17	0.241
IN1	-0.16	0.09	-1.70	0.091
IN2	-0.32	0.09	-3.59	0.001
IN3	-0.21	0.11	-1.95	0.051
IN4	-0.43	0.10	-4.14	0.001
IN5	-0.41	0.15	-2.75	0.006
IN6	-0.47	0.09	-5.06	0.001
IN7	-0.19	0.11	-1.71	0.088
IN8	-0.09	0.13	-0.76	0.450
IN9	-0.02	0.11	-0.17	0.861
COU	-0.06	0.05	-1.06	0.292

The results presented in Table 6.6 indicate that size, profitability, liquidity, ownership, and the industry in which a company operates are significant at 5% level of significance. Gearing of the company, presence of non-executive directors and whether a company is a multinational company or not, are not significant at 5% level of significance. The data obtained for leadership structure, auditor type and the presence of an audit committee were the same for all studied companies and were, therefore, not used in the regression model.

6.2.7 Conclusion

This section has shown that CSD has increased over the years for all the companies that were studied. It has shown that different companies disclose CSD differently. The themes disclosed also vary and size, profitability, liquidity, ownership and the industry in which the company operates affected the level of CSD. Section 6.3 will show how different accountants from the high disclosure companies and low disclosure companies construe CSD and this will explain the differences in CSD that has been presented in this section.

6.3 Repertory Grid Interviews

6.3.1 Introduction

The results of the 30 interviews with senior accountants conducted using the repertory grid techniques are presented in this section. After the determination of the disclosure indices the companies were grouped into two: the high disclosure companies and the low disclosure companies.

In order to conduct the interviews, three companies with the highest disclosures indices and three with the lowest scoring indices were selected for the repertory grid interviews. This is in line with the comparative case study design used in this study. From each of the companies five interviews with were conducted which means that in total 15 interviews were conducted in the high disclosure group and 15 in the low disclosure group.

Of the three high disclosure companies, two belonged to the “manufacturing and allied” industry category and one from the “commercial and services”. Of the three low disclosures companies one belonged to the “investment” industry category, one to the

“insurance” industry and one to the “automobile and accessories” industry (Table 6.7). Though the criteria for selecting the companies to include in the repertory grid technique was the disclosure index, and therefore one could not expect to have a pattern in the selection of the companies, it is important to note that five out of ten of the industrial sectors were represented.

Table 6.7: Disclosure Indices and Industry Categories of the Studied Companies			
Company	Disclosure index (%)	Category	Industry category
HDC1	94.29	High	Manufacturing and allied
HDC2	88.57	High	Manufacturing and allied
HDC3	85.71	High	Commercial and services
LDC1	17.14	Low	Insurance
LDC2	8.57	Low	Automobile and accessories
LDC3	5.71	Low	Investment

The disclosure indices of the high disclosures companies that were studied ranged from 85.71% to 94.29%. While the disclosure indices of the low disclosure companies ranged from 5.71% to 17.14%. The difference between the two groups is therefore high and this may be an indication that the two groups construed CSD differently.

From the 30 interviews conducted, 379 constructs were generated. Out of these, one construct (‘influence disclosure’) was provided by the researcher to the each of the interviewee. Therefore, in total, 349 constructs were generated: 180 were from the high disclosure companies and 169 from low disclosure companies. The purpose of the supplied construct is to summarize the overall purpose of the grid, which is to express the respondent’s view of the elements in overall terms, so that the constructs can be analysed to see which ones relate (and can therefore be interpreted as influencing most) to the respondent’s thinking about disclosure.

One of the purposes of this research was to understand the type and differences between constructs elicited from high disclosure and low disclosure companies. The repertory grids generated were therefore grouped into two and were content analysed using Jankowicz (2004) method and the Honey’s technique (Honey, 1979). Additionally, principal component analysis was done.

Content analysis as outlined by Jankowicz (2004) is an aggregation technique: it moves from the description of how each respondent thinks provided by each repertory grid, to summarise the kinds of meaning (categories) that are more frequent and less frequent in the sample as a whole; it then makes possible the identification differences in the thinking of the high-disclosure and low-disclosure group. Honey's technique provides a way of allowing for differences in individual respondents' personal similarity metric within this aggregation, principal component analysis helps in assessing the cognitive complexity and the main cognitive themes.

6.3.2 Content Analysis

Content analysis is done so as to group and categorize constructs based on the meanings they express. This was done following the methods recommended by Jankowicz (2004). The constructs were analysed and grouped into categories, based on their similarity in meaning. These were grouped into four super-categories. This was done by the researcher and an independent evaluator. When comparison was done, the two agreed on 16 categories. The researcher obtained 19 categories and the independent evaluator obtained 17 categories (Appendix 9). The two, however, agreed on the super-categories.

In order to test the inter-rater reliability of the data, Cohen's Kappa statistic (Cohen, 1960) and Perreault-Leigh index (1989) were used. After discussing and reclassifying items we agreed on 18 out of the 19 subcategories which resulted into a Cohen's Kappa of 0.894. This indicates almost perfect agreement (Landis & Koch, 1977). The Perreault-Leigh index (1989) was 0.972 (with confidence limits of 0.954 to 0.989 at 95% confidence level). This also indicated high level of agreement (Appendix 9).

To further understand the differences between the two groups, a bivariate z-test was conducted to determine whether the motivations for disclosures for the two groups were statistically different. The following hypothesis was tested: $H_0: P_1 = P_2$; $H_1: P_1 \neq P_2$, was, therefore, tested at 95% confidence level. The results are presented in Table 6.8 and Appendix 10.

The results in Table 6.8 indicate that, overall, "reputation" of the company was the most important super-category, followed by "stakeholder management". The high

disclosure companies had similar results to the overall results, with “reputation” followed by “stakeholder management” the most important super-category. However, the low disclosure companies considered “institutional factors” super-category more important followed by “benefits to management” super-category.

Table 6.8: Content Analysis (Super-Categories)

Super-Category	Overall (%)	High Disclosures (%)	Low Disclosures (%)	Z value	P Value	Decision
Reputation	27.8	31.7	23.7	1.67	0.0955	Accept H0
Stakeholder Management	26.1	29.5	22.5	1.48	0.1389	Accept H0
Benefits to management	23.2	21.1	25.5	0.96	0.3380	Accept H0
Institutional factors	22.9	17.8	28.4	2.36	0.0183	Reject H0

The bivariate z-test indicated that the differences between the super-categories in the two groups were not statistically different, except the “institutional factors” super-category. This means that the low disclosure groups considered “institutional factors” more important than the high disclosure groups, and the difference between the two was statistically significant.

Results presented in Table 6.9 and Appendix 10 indicate that, overall, the social responsibility information disclosures are mainly influenced by the image (11.5%), fairly presentation of the accounts (9.2%), stewardship of the company (7.7%), investor decision-making (7.7%) and the need to be seen to provide quality products and services (6.6%).

Disclosure of social responsibility disclosures by the high disclosure group is mainly influenced by the need to enhance the image of the company (13.9% of the constructs), followed by the need to use the information to properly steward the company (8.3% of the constructs). For the low disclosure companies, the need to fairly present accounts (10.7%) is the main motivation for disclosing social responsibility information, followed by the need to show that the company provides quality products and services (9.5%).

Table 6.9: Content Analysis (Categories)

Category	Super-category	Overall (%)	High Disclosures (%)	Low Disclosures (%)	Z-test	P-value	Decision
Image	Reputation	11.5	13.90	8.90	1.47	0.1421	Accept H0
Fair presentation	Benefits to management	9.20	7.80	10.70	0.93	0.3532	Accept H0
Stewardship	Benefits to management	7.70	8.30	7.10	0.43	0.6673	Accept H0
Investors	Stakeholder management	7.70	7.80	7.70	0.03	0.9749	Accept H0
Provision of quality product/Service	Reputation	6.60	3.90	9.50	2.10	0.0358	Reject H0
Decision making	Benefits to management	6.30	5.00	7.79	1.03	0.3014	Accept H0
Stakeholders relations	Stakeholder management	5.40	6.10	4.70	0.57	0.5701	Accept H0
Support for government	Stakeholder management	5.40	4.40	6.50	0.87	0.3843	Accept H0
Industrial practice	Institutional factors	5.20	3.30	7.10	1.59	0.1115	Accept H0
Market Advantage	Reputation	4.60	6.70	2.40	1.92	0.0550	Reject H0
Societal pressures	Institutional factors	4.30	2.20	6.51	1.99	0.0470	Reject H0
Attention of the media	Institutional factors	4.00	3.90	4.14	0.12	0.9053	Accept H0
Customers	Stakeholder management	4.00	5.60	2.40	1.52	0.1293	Accept H0
Global Standards	Institutional factors	3.70	3.90	3.55	0.17	0.8669	Accept H0
Regulatory agencies	Institutional factors	3.40	3.30	3.55	0.11	0.9102	Accept H0
Employees information	Stakeholder management	3.40	5.60	1.20	2.24	0.0248	Reject H0
Leadership	Reputation	2.60	3.90	1.20	1.60	0.1104	Accept H0
Promotion of the brand	Reputation	2.60	3.30	1.80	0.91	0.3613	Accept H0
Required by parent	Institutional factors	2.30	1.10	3.55	1.52	0.1279	Accept H0

Bivariate z-test indicates that, all except four motivations were found not to be statistically different. This indicates that the two groups were mostly influenced to disclose social responsibility information by the same motivations. The four that were statistically different were societal pressures, market advantage, provisions of quality product or service, and employee information. The high disclosure group was motivated more than the low disclosure group in the need to increase market advantage and the need to provide employee information. The low disclosure group reacted more to societal pressures and the need to be seen to provide high quality product or service than the high disclosure group.

6.3.3 Honey's (1979) technique

Honey (1979) proposed that the researcher should supply an overall construct whose purpose is to sum up the interviewee's attitude towards the topic being researched. The "overall" construct presented to the respondents in this study was "influence disclosure". This is because we intended to elicit constructs that would explain whether the provided themes influence disclosure of social responsibility information.

The Honey's content analysis technique (Honey, 1979) is used to assign HIL (high-intermediate-low) indices to constructs based on the sum of differences between the "overall" construct and each of the constructs. This helps in assessing individual stance on a topic. A construct that has a low HIL index has no relation to the topic and a high HIL indicates a high association between the topic and a given construct.

Consensus within a category and subcategory was considered to be present if the ratio of the number of constructs with similar HIL indices was 50% or more (Dima, 2010). This is because more than half of the respondents would have agreed on this score. HIL indices by categories and groups are presented in Appendix 11.

As shown in Table 6.10 the high disclosure companies generated H indices in "image", "leadership", "to gain market-advantage", "promotion of brand", and stakeholder" relations. This indicates that constructs related to the reputation of the company and to a lesser extent stakeholder management are afforded high importance. This analysis,

therefore, indicates that the need to disclose corporate social information is primarily assessed based mainly on the need to enhance the reputation of the company.

The low disclosure companies generated H indices in the “industrial practice”, “required by parent company”, “image”, “leadership”, and, “stakeholder relations”. This means that low disclosure companies decide on whether to disclose social responsibility information based on institutional factors and reputation of the company and to a lesser extent stakeholder management.

Table 6.10: Summary of Honey Technique Indices				
		Total	High Disclosure	Low Disclosure
	Attention of the media	I	I	I
	Societal pressures	I	L	I
	Global standards	I	I	I
	Industrial practice	H	Mixed	H
	Regulatory agencies	I	Mixed	I
	Required by parent company	H	Mixed	H
Institutional factors		I	I	I
	Decision-making	Mixed	Mixed	Mixed
	Fair presentation	I	Mixed	I
	Stewardship	I	I	I
Benefits to management		I	I	I
	Provision of quality product	I	I	I
	Image	H	H	H
	Leadership	H	H	H
	Market advantage	H	H	L
	Promotion of brand	Mixed	H	I
Reputation		I	I	I
	Customers decision-making	I	I	I
	Support for government	I	Mixed	I
	Investors decision-making	I	Mixed	I
	Employees information	Mixed	Mixed	Mixed
	Stakeholder relations	H	H	H
Stakeholders		I	I	I

6.3.4 Principal component analysis

The principal component analysis is based on an extraction process of successive components. The first component accounts for the largest variation, the second accounts for residual valuation while the third accounts for the most residual variation and so on (Diaz de Leon & Guild, 2003; Jankowicz, 2004). The unit of analysis for the PCA is the individual construct.

Determining cognitive complexity of an individual is one of the uses of the principal component analysis. Cognitive complexity is the extent to which an individual is able to differentiate and integrate an event. High cognitive complexity indicates that issues are analysed from different directions and are broken down to their constituent elements. A variance of less than 60% accounted for by the first component can be taken as rough indicator of high cognitive complexity. High cognitive complexity indicates certain “richness” in construing: issues are being analysed from different dimensions (Streufert & Swezey, 1986).

The summary of the first two components for the individual groups is presented in Table 6.11. In the high disclosure companies the variance in the first component is less than 60% variance (with range of 30.3.7% to 59.9%). This indicates high cognitive complexity. In the low disclosure group, 6 companies had a variance of more than 60% with the variance ranging from 38.2% to 74.2% in the first component. Indicating that the low disclosure group had a lower cognitive complexity compared to the higher disclosure group. This was confirmed using the bivariate t-test which indicates that the differences are significant at 1% level of significance ($P=0.004$).

In the high disclosure group, the total of the first two components reached over 60% for all respondents except one with a range of 53.3% to 78%, while in the low disclosure group the total of the first two components was over 60% for all the respondents with a range of between 63.9% and 83.8%. This means that both groups showed low cognitive complexity when the total of the first two components are considered. However, the total of the first two components is relatively higher in the low disclosure group. This was tested statistically using the bivariate t-test and the result indicates that the difference between the two groups is significant at 5% confidence level ($P=0.015$). This indicates that cognitive complexity is lower in the low disclosure group.

High Disclosure				Low Disclosure			
Respondent	Total	First component	Second Component	Respondent	Total	First Component	Second Component
HD1	66.0	43.0	23.0	LD1	70.7	40.4	30.3
HD2	63.5	43.9	19.6	LD2	77.9	67.2	10.7
HD3	70.3	41.4	28.9	LD3	68.6	56.4	12.2
HD4	77.5	59.9	17.6	LD4	65.3	47.7	17.6
HD5	70.6	57.6	13.0	LD5	81.1	69.8	11.3
HD6	71.9	39.5	32.4	LD6	64.5	46.7	17.8
HD7	53.3	30.3	23.0	LD7	75.8	60.4	15.4
HD8	67.5	45.6	21.9	LD8	80.7	69.2	11.5
HD9	75.3	53.7	21.6	LD9	63.9	38.7	25.2
HD10	67.9	43.6	24.3	LD10	73.8	57.3	16.5
HD11	78.0	58.7	19.3	LD11	76.2	59.1	17.1
HD12	65.8	50.5	15.3	LD12	69.0	46.7	22.3
HD13	60.0	37.3	22.7	LD13	83.8	74.2	9.6
HD14	69.3	47.7	21.6	LD14	71.8	54.3	17.5
HD15	65.4	44.5	20.9	LD15	80.0	66.0	14.0
Max	78.0	59.9	32.4		83.8	74.2	30.3
Min	53.3	30.3	13.0		63.9	38.7	9.6
Mean	68.1	46.5	21.7		73.5	56.9	16.6

According to Diaz de Leon and Guild (2003) one should summarize and derive themes of the highest two construct loading on the first component. The construct is deemed more important than another if it appears more frequently. The frequencies and the themes were agreed and evaluated between the researcher and the independent evaluator and initially the level of agreement was 90%. The researcher and the independent evaluator discussed this until they reached agreement on all the items.

Table 6.12 presents the frequencies and the themes of the highest two constructs loading on the first component.

Table 6.12 indicates that the order of priority of themes exhibited by the two groups differs even though the themes are largely the same. The high disclosure group analyses the impact on the image of the company first and then the impact on the stewardship on the company of the disclosure second. The low disclosure group, however, considers several themes together: Image, regulatory agencies; government goals; required by parent company, investor decision-making and industrial practice.

These findings indicate that image building is an important motivation for both groups to disclose social responsibility information. The high disclosures group focuses on stewardship next, while the low disclosures group is motivated by several factors. These include: regulatory agencies, government goals, parent company requirements, investors decision-making and the need to do according to similar companies in the industry.

Priority	High disclosure company		Low disclosure company	
	Themes	Frequency	Themes	Frequency
1	Image	5	Image Regulatory agencies; Government goals; Required by parent company; Investor; Industrial practice	3
2	Stewardship	4	Stakeholder relations; Leadership; Ease of measurement Fair presentation	2
3	Decision-making; Investor	3	Stewardship; Customer; Decision-making; Global practices	1
4	Stakeholder relations, Leadership; Society; Industrial practice; Government goals; Market advantage	2		
5	Ethics Fair presentation Customer	1		

6.3.5 Element analysis

We have considered which constructs are highly related to the “overall” construct “influence disclosure”. We have found that:

1. Out of the nineteen identified motivations for disclosure of social responsibility information only four were statistically different indicating that the high disclosure group and the low disclosure groups are most influenced by the same motivations to disclose social responsibility information.
2. The four that were statistically different were societal pressures, market advantage, provision of quality products or service, and employee information.

3. The high disclosure companies were motivated more than the low disclosure companies in the need to increase market advantage and the need to provide employee information.
4. The low disclosure companies were motivated more than high disclosure companies by societal pressures and the need to be seen to provide high quality product or service.
5. The high disclosure companies accord enhancing the reputation of the company and to a lesser extent stakeholder management high importance, while the low disclosure companies accorded institutional factors and reputation of the company and to a lesser extent stakeholder management high importance.

We now need to understand which of the ten themes shown as elements in the grids merit disclosure more, and which less, in the two respondent groups.

The “influence disclosure” ratings were summarized by group and a frequency count of any rating of 4 or 5 (where 1 means high influence and 5 means low influence) were performed for each CSD theme. The findings are presented in Table 6.13 and Appendix 12.

Element No.	Element	High Disclosure companies		Low Disclosure Companies	
		Frequency	Percentage	Frequency	Percentage
1	Environmental	0	0.0	0	0.0
2	Energy	0	0.0	0	0.0
3	Employees	2	13.3	1	6.7
4	Education	1	6.7	4	26.7
5	Health	0	0.0	3	20.0
6	Hunger relief activities	1	6.7	5	33.3
7	Corporate governance	0	0.0	2	13.3
8	Customer	3	20.0	4	26.7
9	Product	7	46.7	5	33.3
10	Other Social information	3	20.0	7	46.7

According to the information presented in Table 6.13 and Appendix 12, theme 9 (product information) has the highest percentage (46.7%) of respondents who scored it

4 or 5. This is followed by themes 8 (customer information) and 10 (other social information) which had 20% of the respondents scoring them 4 or 5.

The low disclosure group considers theme 10 (other social information) as the least important with 46.7% of the respondents scoring it 4 or 5, followed by themes 6 and 9 (hunger relief activities and product information) which were scored 4 or 5 by 33.3% of the respondents.

CSD themes 8, 9 and 10 (customer, product and other social information) were deemed least necessary by both groups.

6.4 Conclusion

The main findings and their analysis of data obtained using the disclosure index and repertory grid technique are presented in this chapter. Interpretations and discussions are presented in the next chapter.

CHAPTER 7 : DISCUSSION AND CONCLUSIONS

7.1 Introduction

In this chapter results generated in Chapter Six are discussed. Finally the limitations, suggestions for future research and conclusions of this study are presented.

7.2 Empirical Outcomes of the Disclosure Index technique

CSD Trend

Findings in this research indicate that social disclosures have increased over the studied period. This is in agreement with most of the CSD studies undertaken across the world (Hackston & Milne, 1996; Shen & Jin, 2006; Suttipun, 2012). It also agrees with KPMG (2008) study which found that, among the world's largest 250 companies, the percentage issuing separate corporate social responsibility reports increased from 52% in 2005 to 70% in 2008.

The increase in CSD over the years can probably be explained by the fact that CSR has recently attracted attention from the business, political and public spheres (Brammer & Pavelin, 2004). CSR has also been recognized as a way of companies gaining recognition as good citizens which helps them gain high profiles locally and internationally (Mustaruddin, 2009). It has also been shown that CSD can increase the performance of the company because, among other things, such a company is able to tap into pools of capital which it might not otherwise access and may also be able to capture export business where CSR activities are taken seriously (Bowman, 1978; Preston, 1978; Bebbington, Larrinaga, & Moneva, 2007). Reducing environmental risk is another reason why companies are disclosing more social responsibility information (Roberts, Rapson, & Shiers, 2007).

The increase in CSD in Kenya can be explained by the fact that a number of the studied companies were multinational which were likely to adopt the parent companies practices. Local companies in an attempt to be seen to adopt best international practices were likely to copy the multinationals and the result is that the general increase in CSD in Kenya.

CSD Themes

Findings indicate that Kenyan listed companies emphasize community activities information, followed by environmental and energy issues. Customer and product information are the least disclosed. Findings on CSD themes are varied in different studies. Examples include Ratanajongkol et al. (2006) study in Thailand, where it was found that “human resources” were the most dominant disclosures, followed by community disclosures, and Teoh and Thong (1984) study which found that human resources as the dominant theme disclosed. In a study of Malaysian companies, Mia and Al-Manum (2011) found that environment issues were the most dominant theme.

The fact that Kenyan companies disclose more community activities information can be explained by the fact that companies in Kenya would want to be seen to be involved into poverty alleviation efforts of the government. This is because Kenya is a developing country with most of its population below the poverty line (Ponnu & Okoth, 2009) and reducing poverty is a priority issue for the Government (Government of Kenya [GoK], 2007).

CSD across Industries

Findings in this study show that companies in the “manufacturing and allied” sector disclose more social responsibility information. Findings further show that companies in the “manufacturing and allied”, “commercial and services” and “energy and petroleum” sectors disclose statistically more social responsibility information than the overall average. Companies disclosing statistically less than the overall average are in “insurance”, “automobile and accessories” and “investment” sectors.

That different industries disclose different levels of social information is supported by KPMG (2005) results which indicated that, among the national 100 companies and the Global 250 biggest companies the top three disclosing industries were “utilities”, “finance” and “oil & gas”. This can be explained by the fact that companies disclosing more social information are those that are likely to catch the public eye and therefore are in need of legitimising their activities (Magneess, 2006).

The fact that companies in “manufacturing and allied” sectors disclose more social responsibility information in Kenya may be explained by the fact that such companies entail hazardous work environments and also their operations are more

environmentally-related. They are, therefore, under pressure from different stakeholders, to disclose social responsibility information (Ponnu & Okoth, 2009). They disclose more information in an attempt to legitimate their activities.

Companies in the “manufacturing and Allied” industrial sector disclose more social responsibility information can also be explained by increased awareness in Kenya of the need to protect the environment. For the Environmental Management Coordination Act was enacted in 1999. This led to the establishment of National Environmental Management Authority (NEMA) which is a body mandated to oversee environmental management in Kenya. Additionally, the Kenya Constitution promulgated in 2010, has listed access to clean environmental as one of the basic human rights. This has led to increased supervision of companies on environmental issues. Companies whose activities are likely to pollute the environment are, therefore, more likely to disclose social responsibility information in order to show that they are doing something about the environment.

Size

The finding in this study is that the size of the company influences positively the level of CSD. This finding is consistent with previous findings by Cowen et al. (1987), Patten (1991), and Purushothaman, Tower, et al. (2000), Raar (2002) and, Stanwick and Stanwick (2006). Other researchers such as Roberts (1992), and Ratanajongkol et al. (2006), however, did not find a relationship between the size of the company and the level of CSD.

According to Jensen and Meckling (1976) large companies are subject to government scrutiny and due to these political costs they disclose more information. This is supported by researchers such as Inchausti (1997) who argue that large companies may disclose more information so as to reduce the likelihood of political action from the government or from pressure groups because they are highly visible and are, therefore, more susceptible to inquiry from stakeholder groups. Such companies are more visible because they have more diverse stakeholder groups due to their diversified geographical and product markets (Brammer & Pavelin, 2008). They can also afford to invest in more environmentally friendly technology and management (Uwuigbe, 2012). Large companies disclose social information because they have the resources for it (Naser, Al-Hussaini, Al-Kwari, & Nuseibeh, 2006).

This finding agrees with the stakeholder theory which suggests that because of the many stakeholders they have, larger companies are likely to disclose more information (Cowen et al., 1987). It also agrees with the legitimacy theory because larger firms are likely to disclose more information to legitimize their actions (Brammer & Pavelin, 2006).

Profitability

Finding in this study seems to indicate that profitability has a positive influence on the level of CSD. This finding agrees with findings from similar studies (Singhvi, 1967; Abu-Nasar & Rutherford, 1994). The findings contradict findings by several researchers who have found a negative relationship between profitability and CSD (King & Lenox, 2001). King and Lenox found that CSD reduces profitability because of the costs it entails. It also contradicts findings by Connelly and Limpaphayom (2004), and Stanwick and Stanwick (2006), who found no correlation between financial performance and CSD.

The positive association between profitability and CSD can be explained by legitimacy theory. Very profitable companies may disclose more information in order to justify the level of their reported profits (Haniffa & Cooke, 2005). This positive association can also be explained using the agency theory. According to the agency theory, in order to justify their higher pay, managers in high profitable companies are likely to disclose more information (Inchausti, 1997; Giner, 1997). Another explanation for the positive association has been profitability and CSD is management knowledge (Belkaoui & Karpik, 1989). Belkaoui and Karpik (1989) argue that management who have knowledge to make their business profitable also have knowledge on social responsibility, and therefore, management's knowledge is the main reason why some companies disclose more social information than others.

Liquidity

Findings in this study indicate that liquidity has a positive influence on the level of CSD of a company. This finding agrees with Cooke (1989) who says that there is an association between high liquidity and greater levels of disclosures. It, however, disagrees with Wallace et al. (1994) findings that there is a negative association

between disclosures and liquidity level of a company and Belkaoui and Kahl (1978) findings that there is no association between liquidity and the level of disclosures.

Higher liquidity companies are likely to disclose more social information than lower liquidity companies because they have stronger incentives to do so. They are motivated by the need to publish their strong status in order to enhance their reputation (Abd-El Salam & Weetman, 2003). On the other hand, some argue that, in order to satisfy the information requirements of stakeholders, managers of low liquid companies may publish more information in their annual reports (Hussainery, Elsayed, & Razik, 2011).

Industry

Findings in this study indicate that there is a positive association between the industry profile of a company and the CSD level. This finding is consistent with Patten (1991), Roberts (1992) and Hackston and Milne (1996) who found a positive association between CSD and the type of industry in which the company operates.

The fact that the industry in which a company operates in influences the level of CSD can be explained by the stakeholder pressure and associated political costs (Brammer & Millington, 2006). Companies that have a high environmental impact receive more attention from the government and other lobby groups and therefore likely to disclose more social information (Deegan & Gordon, 1996).

Ownership

The regression results indicate that the more dispersed the ownership of the company, the more likely that the company will disclose more social responsibility information. This finding agrees with Roberts (1992) and Ullmann (1985) that the degree to which ownership is concentrated in the hands of many investors influences CSD. In order to reduce information asymmetries among the owners and management, corporations with more dispersed ownership are likely expected to disclose more social information (Prencipe, 2004). This can be explained by the fact that where there are many shareholders, there is likely to be a higher level of accountability which leads to disclosure of more social information (Ghazali, 2007). This is because there is likely to be more conflict of interest between owners and managers where ownership is widely dispersed and this leads to increased pressure for more disclosures (Jensen & Meckling,

1976; Cullen & Christopher, 2002). This finding supports the agency theory in explaining why companies disclose social responsibility information.

Gearing

The findings in this study indicate that gearing does not affect the level of CSD. Findings by different researchers are varied. That gearing level does not affect CSD is supported by Purushothaman et al. (2000), who argue that, because of their close relationships with their creditors, companies with high gearing level are unlikely to disclose a lot of social information. This is because they can use other means of disclosures.

This finding, however, does not agree with Schipper (1981) who argues that high geared firms are likely to provide more information than other companies because their creditors want to know about the company. Therefore, management increases the level of non-financial disclosures because of the demand by such stakeholders (Joshi & Gao, 2009). Companies with a high gearing are also likely to disclose more information in order to reduce their agency cost and their cost of capital (Jensen & Meckling, 1976).

Country of origin

Findings in this study indicate that country of origin did not affect the level of CSD in Kenya. This contradicts studies by researchers such as Jahamani (2003), and, Stanwick and Stanwick (2006), who found an association between the level of social disclosures and the country of origin of the company.

The finding that country of origin does not affect CSD can be explained the fact that Kenya is one of the country in Africa with many multinationals operating and others have their regional offices. This means that international business practices have been adopted by the local companies as they try to mimic the practices of the multinationals. This supports the institutional theory.

And so, one would expect greatest disclosures in large companies, that are highly profitable, more liquid, with more diverse ownership and from highly visible industries.

7.3 Empirical Outcomes of the Repertory Grid Interviews

As indicated in Chapter 4, 349 constructs were generated. Out of these 180 were from the high disclosure companies and 169 from low disclosure companies. Based on content analysis the following can be deduced:

1. Out of the nineteen identified motivations for disclosure of social responsibility information only four were statistically different indicating that in most categories, similar motivations to disclose social responsibility information apply.
2. The four that were statistically different were societal pressures, market advantage, provision of quality products or service, and employee information.
3. The high disclosure companies were motivated more than the low disclosure companies in the need to increase market advantage and the need to provide employee information.
4. The low disclosure companies were motivated more than high disclosure companies by societal pressures and the need to be seen to provide high quality product or service.
5. The high disclosure companies accord enhancing the reputation of the company and to a lesser extent stakeholder management high importance, while the low disclosure companies accorded institutional factors and reputation of the company and to a lesser extent stakeholder management high importance.

Results indicate that the constructs could be grouped in four main super-categories: Reputation, stakeholder management, Benefits to management and institutional factors.

Reputation

The reputation super-category was the most prevalent theme, overall, and the for the high disclosure group. Reputation super-category was further divided into the following categories: image, leadership, market advantage, promotion of brand, and provision of quality product.

According to Nguyen and Leblanc (2001), one of the results of the legitimization process is improved corporate reputation. Companies try to improve their corporate reputation by disclosing more social information (Hooghiemstra, 2000). According to Friedman and Miles (2001) CSD is a signal that companies give stakeholders in order

to enhance reputation. Once they attain it they try to preserve it by disclosing more information (Michelon, 2011). According to Bebbington et al. (2008), there is evidence that companies manage their reputation risks using CSD. The finding that enhancing company reputation is the most important motivation for disclosing social information therefore agrees with the legitimacy theory.

Companies have different objectives that they want to achieve through CSD (Ashforth & Gibbs, 1990). For example, where the company wants to launch a new product, disclosures can be used to gain legitimacy for the new product. But where the company's product is threatened the objective of the disclosure is to repair legitimacy (Ashforth & Gibbs, 1990). This indicates that for high disclosure companies legitimacy theory explains why they disclose social information

How a company communicates its assigned role in society, can affect its reputation (Capirotti, 2004). CSD can be used as part of the communication strategy of a company (Hassan, 2010).

Benefits to management

One of the reasons why management is interested in disclosing social responsibility information is so that it can aid in managing the company. CSD can help managing the company in the following ways: to properly manage the company in order to meet certain business and financial targets (Latriidis, 2008), to get favour in stock markets by being seen as more responsible and transparent (McKnight & Tomkins, 1999), to reduce cost of litigation (Skinner, 1994), and, to show investors that they are aware of the firm's economic environment (Trueman, 1986).

Findings in this study indicate that CSD is seen as a way of making accounts presentation fairer. This is consistent with the arguments of the proponents of social accounting who argue that social accounting address the gulf between conventional accounting which focuses on profit and the need to see the entire social role of a business (Glautier & Underdown, 2001).

CSD has been seen as a way for a company to be socially accountable to the different stakeholders (Gray et al., 1996). Traditional accounting focuses on economic issues and, therefore, has not helped companies to be accountable to various stakeholders.

This is because accountability has been recognized as a social concept which is not limited to economic issues (Pallot, 1991). In the broader concept of accountability the needs and interests of the society are taken into account, which include social responsibility information more useful to the different stakeholders. The wider society is also engaged as a key stakeholder of the company.

Stakeholder management

Stakeholder management is one of the main motivations for CSD. Companies are expected by their various stakeholders to disclose information about their social and environmental performance (Cornelissen, 2008).

According to Gray et al. (1995b), CSD provides information for different stakeholders involved in the companies' operation. These stakeholders have been grouped in two groups: the first group comprise of user-oriented stakeholders (interested party group and normative group) and the second group are the producers of the reports. The interested party stakeholders are those who are directly interested in the report's findings, mainly the shareholders. The main motive of the interested group is to improve the image of the company (Solomon & Lewis, 2002). The normative group comprises those who write the law, which include the government and other regulatory agencies.

Management of stakeholder relations requires that companies be open because this is the only way to disarm stakeholders who are suspicious of the actions of the company (Cadbury, 1987). Stakeholders will question the reliability of the company if they discover that important information was withheld from them (Cormier & Gordon, 2001). According to Armitage and Marston (2008), transparency in CSR information may lead to: promoting integrity within the company and in its dealings with stakeholders; promoting confidence on the part of shareholders and other stakeholders; being part of what is expected of a good corporate citizen and helping non-executive directors to understand the business. This is in line with the social contract theory which postulates that an organisation is accountable to all its stakeholders for its actions and must accounts for its actions (Donald & Preston, 1995).

This study identified investor decision-making as one of the factors that influence whether social responsibility information is disclosed or not. Various studies have had

mixed results. For example, Epstein and Freedman (1994) found that social disclosures affected investors' decision-making. Similar results have been shown by Shane and Spicer (1983) who indicated that investors use CSD in making investment decisions.

It however contrasts with Chan and Milne (1999) findings that investors do not react significantly to environmental information disclosures. This is probably because such information has also been found inadequate for use in decision-making (Buzby & Falk, 1978; Harte, Lewis, & Owen, 1991; Solomon & Solomon, 2006) because it is largely non-financial (Graham, Maher, & Northcut, 2000; Richardson & Welker, 2001). Murray et al. (2006), argue that despite investors exhibiting an increasing demand for CSD there is no proven-link between the price sensitivity of CSD and changes in economic circumstances that this information could be signalling. This is because not all investors are interested only in a purely financial appraisal of investments. Investors have also been found to be interested in social performance indicators (Dhaliwal, Li, Tsang, & Yang, 2009).

Institutional factors

Findings in this study indicate that low disclosure companies considered institutional factors as the most important in motivating a company to disclose or not to disclose. These factors include pressures from the following: media, society, global standards, industrial practice, regulatory agencies, and requirements by the parent company. This agrees with findings from other researchers who have found the following different pressure groups to have more influence on disclosures than others: community (Tilt, 1994); environmental organisations (Deegan & Gordon, 1996; Deegan & Blomquist, 2006); and, NGOs (Gray et al., 1996).

Companies respond to these pressures because they need to show that they meet external expectations that give them social validation which is their licence to operate (O'Donovan, 2002; Moll, Burns, & Major, 2006). A firm's legitimacy and ultimately its survival can be threatened by failure to conform to institutionalised norms of acceptability (Oliver, 1991). Many organizations, in an attempt to acquire the necessary legitimacy to operate successfully within society, mimic already accepted practices (Meyer & Rowan, 1977; March & Oslen, 1989). This is called isomorphism and can be created by three types of pressures: coercive, mimetic and normative (DiMaggio & Powel, 1983).

Due to these forces, CSD is becoming a standardised business practice across the world because of convergence in CSD. Isomorphism leads to corporate practices which are driven by focus on legitimacy rather than efficiency and economics (Ditlev-Simonsen & Midttun, 2011). Therefore, failure to respond to the various pressures can lead to an organization losing legitimacy and lead to its ultimate failure (DiMaggio & Powel, 1983). This means that each of these types of isomorphism can influence CSD and this has been found to be so in this study.

Coercive isomorphism results from pressures to reflect the expectations of the society of which the organization is part (Dacin, 1997). In order to comply with rules and regulations, companies are forced to adopt similar methods. Such rules and regulations may be enforced by the government, stock exchanges, large shareholders, lenders, and others. That this isomorphism applies in Kenya is shown by the fact that both the high disclosure and low disclosure companies indicated pressure from the media and regulatory agencies as some of the reasons why companies disclose social responsibility information. The company can be forced by external factors to disclose social responsibility information.

The fact that pressure from the media can influence disclosure has been recognised by other researchers such as Greening and Gray (1994), Ader (1995), and Brown and Deegan (1998). Since the media have the power to influence stakeholders' perception of a company, a company's social validation may be damaged by negative media attention (Islam & Deegan, 2010). It is therefore important for a company to respond to the pressure from the media and this seems to be the case in Kenya.

The other coercive force indicated in this study was the requirements by regulatory agencies. However, only a small percentage (3.4%) of the constructs related to regulatory agencies. Indicating that this is not a very important reason why companies in Kenya disclose social responsibility information. In fact currently there are no government requirements for companies in Kenya to disclose social responsibility information.

Mimetic isomorphism results when an organisation benchmarks itself after other organizations (Dacin, 1997). Companies adopt the best practices of other companies in the same industry (Haveman, 1993). Large companies benchmark against other

companies who are leaders in the industry, while small companies benchmark against large companies. This seems to be the most important isomorphism in Kenya. Respondents practice CSD because it is an industrial practice, it is a requirement of the parent company, and in order to meet global standards. This indicates that one of the reasons why companies in Kenya, and particularly the low disclosure companies, disclose social responsibility information is because others in the industry are doing it and a company would not want to be left behind.

This finding agrees with those in other studies. For example, according to Snider et al. (2003), in order to comply with global social and environmental policies, multinational companies require their subsidiaries to practice CSD. The multinational company establishes global social and environmental policies that may constitute pre-formal law (Buhmann, 2006). A number of Kenyan companies disclose CSD because it is a requirement of the parent company.

Normative isomorphism emanates from the professionalization of norms (Dacin, 1997). These norms are internalized within the company along with coercive social pressure (Mizruchi & Fein, 1999). This isomorphism does not seem to play much of a role in Kenya in explaining why companies disclose social responsibility information.

7.4 Implications of the Study

The reasons for carrying out this study were to inform on the practical implications on CSD practice and contribute to the theory. This section is therefore divided into two: implication for practice and implication on theory

7.4.1 Implication for practice

This study indicates that the growth of CSD over the world also applies in Kenya. Some of the findings, such as increasing volume of disclosures and the themes emphasized seem to mirror to a large extent what is happening in other parts of the world. This implies that more and more Kenyan firms see the need to disclose social responsibility information. This is important for Kenyan companies who would want to conduct business across borders.

The study shows that the extent of disclosure varies a lot from one company to another. The themes of the disclosures also vary a lot. Some companies are inclined to disclose more of certain information than others. This means that the practice of CSD in Kenya

is uncoordinated and therefore such disclosures may not be meaningful for decision-making by the various groups. This implies that there is a need for regulations of CSD reports if they are to become important as a way of communicating information to different stakeholders.

The findings also indicate that the high disclosure companies mainly disclose in order to enhance reputation. They disclose mainly because they are interested in projecting a certain image so as to legitimise their operations. Low disclosure companies mainly disclose due to institutional factors. Industrial practice is the main institutional factor that motivates the low disclosure companies to disclose. In other words, they disclose because they want to be seen to belong and therefore imitate the practise of others. This means that the social information disclosed by various companies is motivated by different factors and therefore cannot be uniform. This means that disclosure of social information needs to be regulated and standardized so as to convey similar information to different stakeholders. Complying with globally-recognised standards such as GRI can be very beneficial and regulatory bodies in Kenya could require companies to comply with such standards.

Due to the different information conveyed by the companies surveyed in this study it is also important that accountants are trained on how to disclose social responsibility information. Currently in Kenya social responsibility accounting is just mentioned in some syllabi. Accountants are not trained on how to capture and disclose the information. There is therefore a need to include the social responsibility accounting in the syllabi of the accounting training institutions. There is also a need for companies to conduct in-house training for their accountants. This would make the information disclosed in the companies' reports more standardized and meaningful for decision-making.

The different ways in which social responsibility information is disclosed implies that this information may not contribute to reducing information asymmetry between different stakeholders. The main purpose of disclosures in reports is to inform the different stakeholders so that they can make informed decisions. This does not seem to be the role played by disclosures in Kenya today. The information disclosed in annual reports of Kenyan companies may not be anything but green-washing. Green-washing has been defined Lyon and Maxwell (2011) as "selective disclosure of positive

information about a company's environmental or social performance, without full disclosure of negative information on these dimensions, so as to create an overly positive corporate image". This again calls for the need for regulations and standardization of the CSD practise.

There should be better presentation of social information in annual reports. One way this can be done is to disclose social responsibility information in a separate section of the annual report. This is the practice by international companies and whose purpose is to give the information the prominence required for it to have a meaningful impact on decision-making.

Managers wishing to enhance the efficiency of the message that they convey to various stakeholders can also improve from the findings in this report. There has been considerable increase in the amount of social information disclosed but it is doubtful whether this information is enough to help different stakeholders make decisions.

The other implication of this study is that accountants can use the repertory grid method to help them answer some of the problems they may face in disclosing information. This is because, although disclosure of accounting information is highly regulated and standardized, there continue to be new emerging areas that take time before they are captured by regulatory or accounting standard setting bodies. Before such regulations or standards are formulated, disclosure of such information is largely socially constructed. This is where a research technique like the repertory grid method becomes very handy to help bring out the perceptions and intentions of accountants.

7.4.2 Implications on theory

According to findings in this research legitimacy and stakeholder theories are the dominant CSD theories in Kenya. Proponents of the two theories argue that a company discloses CSR information as part of the dialogue between itself and the greater society (Gray et al., 1995b). Disclosures are therefore important in order to show that the company is complying with societal expectations and therefore its legitimacy is not threatened (Newson & Deegan, 2002).

This study shows that disclosure of social information cannot be explained by one theory. This observation agrees with Adrem (1999) and Cormier, Magnan, and Van

Velthoven (2005) that disclosures cannot be explained by a single theory because they are a complex phenomenon. Such theories must be looked at as complementary and not as competitive (Gray et al, 1995b).

7.5 Recommendations

1. In order to standardize, improve, and provide guidance for companies on CSD practices in Kenya, the accounting profession in Kenya should develop and adopt the standard for accounting and auditing of CSD which is suitable for the Kenya business environment. This can make CSD information more useful to users because they will have a framework for interpreting such information. Some people argue that when disclosure of information is unregulated, companies hold back unfavourable information (Verrecchia, 2001). However, there are others who argue that the risks are strong enough to ensure proper disclosure (Dye, 1990).
2. There is need for accountants to be trained on corporate social reporting. Therefore, CSD should be included in the curricula for academic and professional bodies. There is also a need for accounting academicians to engage in more research on CSD.

7.6 Limitations of the Study

1. Though an attempt has been made to use a longitudinal study, the time covered is short: only 6 years. A study that covers a longer period can help reveal more information of the CSD practise in Kenya. This study, however, covers a longer period than most CSD studies that are cross-sectional.
2. The sample consisted of only the 54 companies listed on the Nairobi Securities Exchange (NSE). Because these are the top companies in Kenya, they are the most likely to make social responsibility disclosures. The study, therefore, is limited in the sense that it did not include companies that are small and are not closely monitored by the Capital Markets Authority (CMA).
3. In this study, only annual reports were used. According to Unerman (2000) annual reports may not capture all the information disclosed by a company because companies may have used other media, such as websites and stand-

alone reports. Use of annual reports, however, is consistent with many CSD studies due to the fact that they are the most important documents.

4. Content analysis was used for this study. Use of content analysis can be criticized for being subjective because people can interpret the same information differently. To minimize errors an independent evaluator was used analyse the information and the result compared with the findings of the main researcher. The independent evaluator was an accountant with one of the main auditing firm with good understanding of CSD. This was meant to make the data obtained more reliable. As can be seen from the description of the reliability procedure in Section 6.3.2, management of the evaluator was via careful training in the description of categories, discussion of the meanings being aggregated, and of the coding results. The reliability figures obtained are themselves a form of evidence of the absence of bias.
5. Only listed companies were used in this study. Listed companies because of their visibility are likely to disclose more social information as compared to unlisted companies. It is, however, important to note that information on listed companies is easier to obtain than for the unlisted companies and this being the first time such a study has been carried out in Kenya, it was important to start with the listed companies.
6. Another limitation to this study is that interviewees are sometimes influenced by some external factors in responding to questions posed to them. In this study, one such factor could be that rules and regulations are sometimes interpreted strictly, and sometimes less strictly, and therefore interviewees could have been influenced by regulatory pressures and may not have been providing constructs that are truly their own. However, as noted in Section 4.3.2 repertory grid technique, because of its robustness with respect to social desirability responding is better than many interviewing techniques for managing this difficulty.

7.7 Further Research

1. Investigation should be done on corporate social responsibility information disclosures in reports other than the annual reports. This is because as CSD develops, more and more reports apart from the annual reports will disclose more social responsibility information.
2. More research should be done using the case study method. The case study method may disclose a richer understanding of why some companies disclose information the way they do.
3. This research only covered companies listed on the stock market. Further research should be conducted into companies that are not listed on the stock market so as to compare the findings of the listed companies and those of others.
4. The study focused on the differences between perceptions of accountants in the “high” and “low” disclosure companies. It was possible to have compared the ‘public expression’ of CSD as revealed in the company reports with the ‘private perceptions’ of CSD by the accountants. Further research can, therefore, be done to compare the ‘public expression’ and the ‘private perceptions’.

7.8 Conclusions

Organizations are voluntarily disclosing information regarding their CSR activities in their annual report because CSR is an issue of growing interest in the business world.

This study indicates an overall trend towards increasing CSD among companies listed on the Nairobi Securities Exchange.

It also shows that CSD trends have been different in different industries.

Community service theme was the most disclosed theme and this may be because social issues are more relevant in Kenya today.

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APPENDIX A: DISCLOSURE INDEX CALCULATION

	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20
Environment and energy																				
Tree planting program	1	1	1	1	1	1		1	1		1			1						
Partnering with environmentally conscious stakeholders		1	1			1		1	1				1		1					1
Environment related donations	1		1	1	1						1	1		1		1				1
Conservation education campaign	1	1	1	1		1		1	1											
Environment audits and risk assessment				1				1				1	1							1
Manufacture of more "green" products						1	1	1	1		1	1		1	1					1
Sustainability governance				1				1			1			1		1				1
Energy efficiency campaign								1	1			1			1	1		1	1	
Recycling and waste management	1			1			1	1			1			1						
Education																				
Donation to schools and universities			1	1	1						1	1		1			1			1
Support for construction of classrooms, Libraries, etc	1		1	1											1			1		
Support for students with special challenges			1								1				1		1			1
Scholarships for needy students			1			1			1		1	1		1				1		
Health																				
Partnerships with health related bodies	1	1	1								1	1								1
Participation in health related fundraising activities			1	1										1	1	1		1		
Provision of medical equipment and other provisions	1	1	1	1									1	1	1		1			1
Employees																				
Comprehensive staff medical scheme	1			1			1			1	1	1			1			1		
Employment policies		1		1				1								1	1	1		
Corporate values campaign to employees		1		1				1					1	1			1			
Staff training program				1				1		1	1	1				1	1	1		
Training on appropriate environmental and health and safety standards		1											1		1			1	1	
Involvement of employees		1		1			1			1	1			1			1			
Provision of safe working environment							1	1							1	1	1			
Promotion of gender equality	1			1									1	1	1			1	1	
Consumer and product information																				

	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20
Research and development activities	1			1			1	1		1	1		1	1		1		1		
Product quality information	1	1			1		1			1		1		1		1			1	
Initiation of a customer service improvement program							1	1				1						1		
Specific consumer relations		1		1	1				1		1		1		1		1			
Hunger relief activities																				
Charity walk for needy children				1	1						1	1					1			
Support for homes and schools for the needy	1				1		1		1					1		1				
Donations of food			1	1	1	1		1	1	1	1		1	1	1	1	1		1	
Corporate governance and other social information																				
Dual leadership					1	1						1						1	1	
Audit Committee								1						1	1			1		
Value added information	1			1	1						1				1		1		1	
Ethics				1			1			1					1			1		
Total	13	11	12	22	10	7	10	16	9	7	17	13	9	17	16	11	12	14	16	
Disclosure index	37.14	31.43	34.29	62.86	28.57	20.00	28.57	45.71	25.71	20.00	48.57	37.14	25.71	48.57	45.71	31.43	34.29	40.00	45.71	31.43

APPENDIX B: REPERTORY GRIDS

Appendix B.1: High Disclosure Company

Display HDP (High Disclosure Company)
"Why disclose social responsibility information"

Influence disclosure	1 2 2 1 1 1 2 3 2 2	Does not influence disclosure
Helps in determining the correct profit figure	1 3 2 2 2 2 4 4 4 3	Not helpful in determining the correct profit figure
Supports government effort	2 3 2 1 1 1 4 4 3 2	No support for government effort
Aids customers in decision making	3 3 4 3 3 4 4 1 2 3	Does not aid customers in decision making
Show concern fr climatic change	2 1 5 5 5 4 5 5 2 3	Does not show concern for climatic change
Show company adopts new technology	3 1 5 5 5 5 5 2 2 4	Does not show adoption of new technology
Show concern for the environment	1 2 5 5 3 4 5 4 2 3	Does not show concern for the environment
Show that the company is well-run	3 2 2 4 4 3 1 3 3 4	Does not show that the company is well run
Indicate response to disaster	3 3 4 4 2 1 5 5 4 3	Does not indicate response to disaster
Indicate concern for the poor in the society	2 4 2 2 2 1 4 4 3 2	Does not indicate concern for the poor in the society
Show support for the education sector	4 4 4 1 3 3 4 4 4 3	Does not show support for the education sector
Enhances company positive image	2 2 2 1 1 1 2 2 3 2	Does not enhance company positive image
Show concern for the customer	4 4 5 4 4 4 4 1 2 3	Does not show concern for he customer
Reduce problems between stakeholders	2 3 1 4 4 4 2 2 4 3	Does not reduce problems between stakeholders

Other social information

Product

Customer

Corporate governance

Hunger relief

Health

Education

Employees

Energy

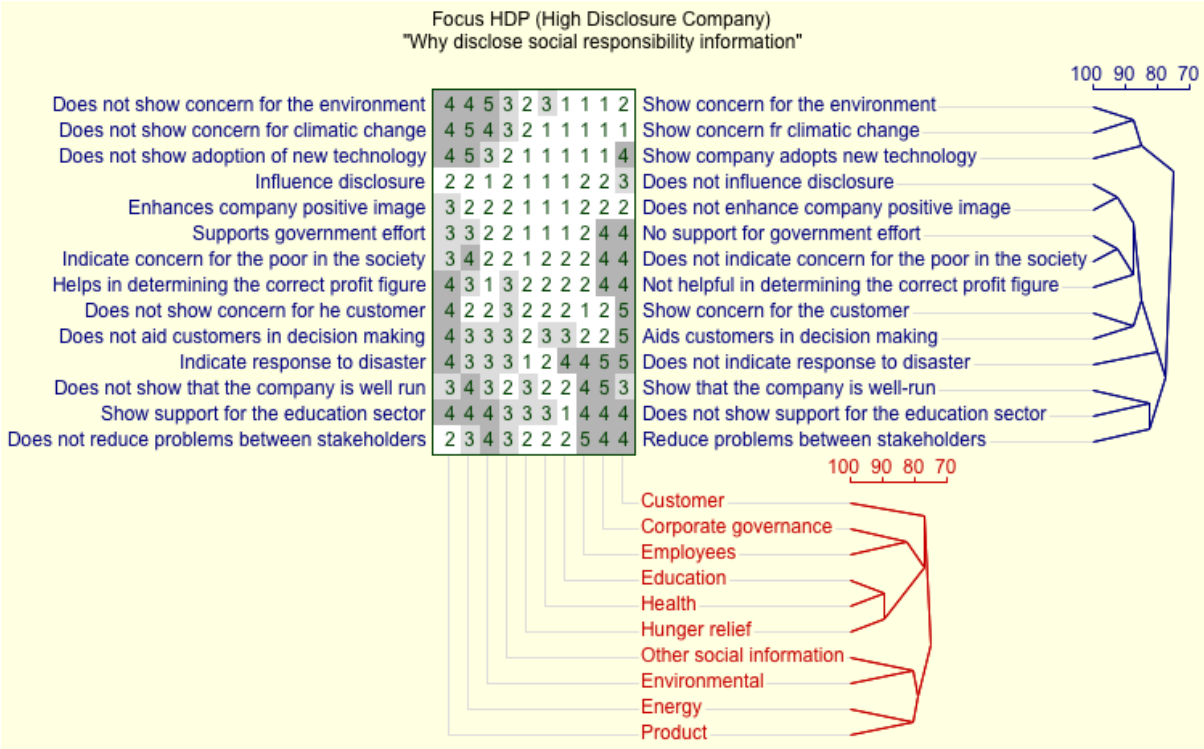
Environmental

Appendix B. 2: Low Disclosure Company

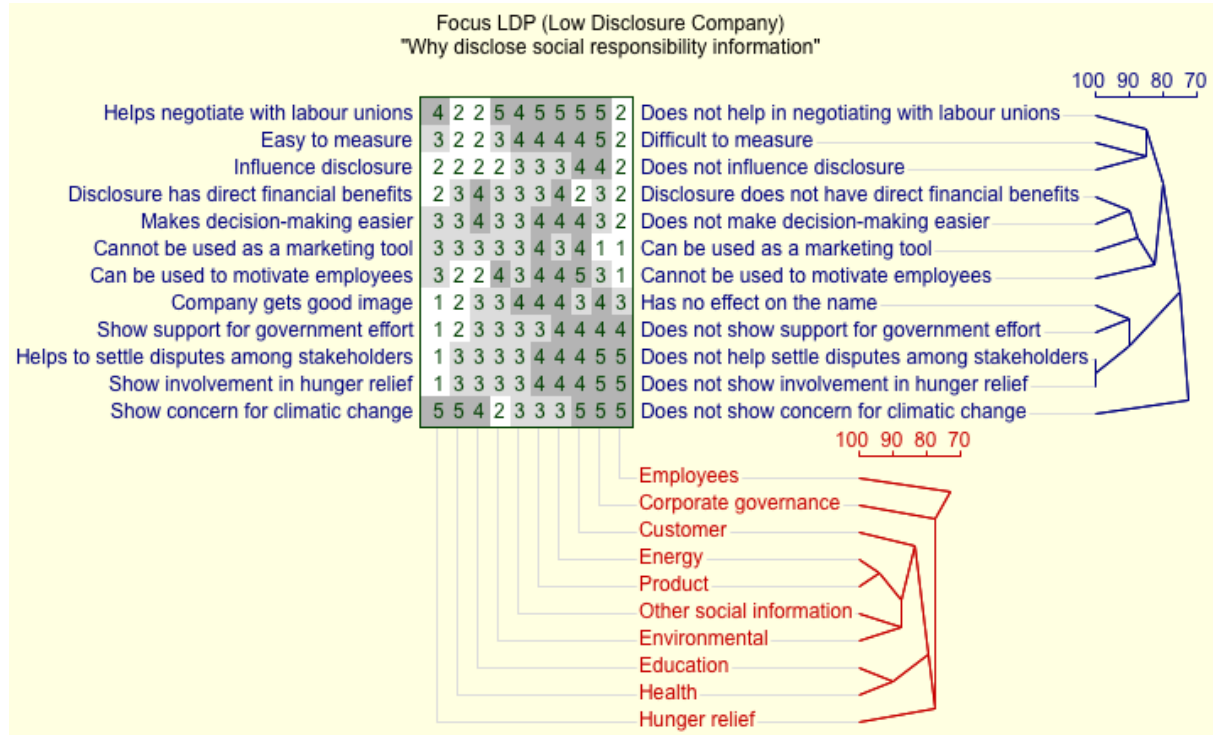
Display LDP (Low Disclosure Company)		
"Why disclose social responsibility information"		
Influence disclosure	2 3 2 2 2 2 4 4 3 3	Does not influence disclosure
Easy to measure	3 4 2 2 2 3 5 4 4 4	Difficult to measure
Show concern for climatic change	2 3 5 4 5 5 5 5 3 3	Does not show concern for climatic change
Helps negotiate with labour unions	5 5 2 2 2 4 5 5 5 4	Does not help in negotiating with labour unions
Disclosure has direct financial benefits	3 4 2 4 3 2 3 2 3 3	Disclosure does not have direct financial benefits
Can be used to motivate employees	4 4 1 2 2 3 3 5 4 3	Cannot be used to motivate employees
Makes decision-making easier	3 4 2 4 3 3 3 4 4 3	Does not make decision-making easier
Company gets good image	3 4 3 3 2 1 4 3 4 4	Has no effect on the name
Can be used as a marketing tool	3 3 5 3 3 3 5 2 2 3	Cannot be used as a marketing tool
Show support for government effort	3 4 4 3 2 1 4 4 3 3	Does not show support for government effort
Helps to settle disputes among stakeholders	3 4 5 3 3 1 5 4 4 3	Does not help settle disputes among stakeholders
Show involvement in hunger relief	3 4 5 3 3 1 5 4 4 3	Does not show involvement in hunger relief
		Other social information
		Product
		Customer
		Corporate governance
		Hunger relief
		Health
		Education
		Employees
		Energy
		Environmental

APPENDIX C: CLUSTER ANALYSIS

Appendix C.1: High Disclosure Company



Appendix C.2: Low Disclosure Company

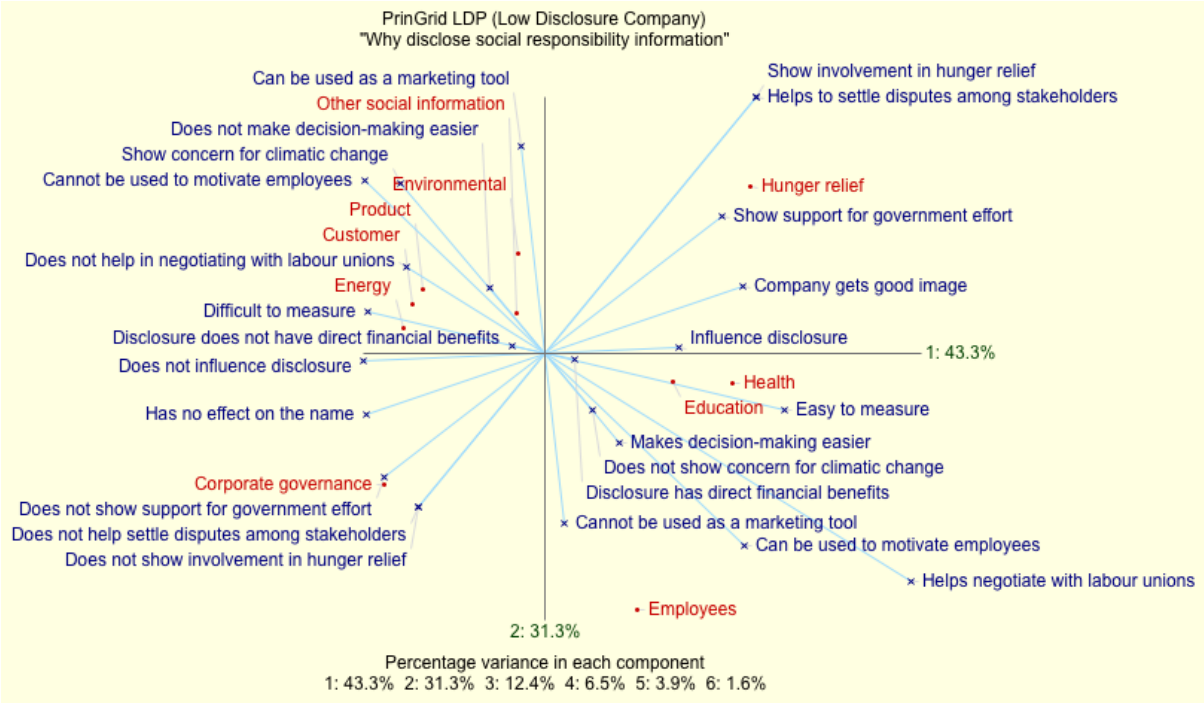


APPENDIX D: PRINCIPAL COMPONENT ANALYSIS

Appendix D.1: High Disclosure Company



Appendix D.2: Low Disclosure Company



APPENDIX E: CONSTRUCTS SUMMARY

	High Disclosure Company	Low Disclosure Company
Reputation	Enhances positive image Adopts new technology Company is well run	Enhances good name
	3	1
Gain/Loss	Correct profit figure	Ease of measurement Direct benefits Ease decision-making Motivation of employees Use as a marketing tool
	1	5
Concern for the society	Support for government effort Concern for the poor Concern for the customer Support for the education sector Concern for climatic change Care for the environment Response to disaster Customer aided in decisions	Support for government effort Involvement in hunger relief Concern for climatic change
	8	3
Conflict resolution	Reduce problems between stakeholders	Settling stakeholders' disputes Negotiation with labour unions
	1	2

APPENDIX F: CONTENT ANALYSIS SUMMARY

	Total Constructs	%	High Disclosure Company	%	Low Disclosure Company	%
Reputation	4	16.7	3	23.1	1	9.1
Gain/loss	6	25.0	1	7.7	5	45.5
Concern for Society	11	45.8	8	61.5	3	27.3
Conflict resolution	3	12.5	1	7.7	2	18.2
	24	100.0	13	100.0	11	100.0

APPENDIX G: HONEY TECHNIQUE

	High Disclosure Company	% Similarity	Low Disclosure Company	% Similarity
Reputation	Enhances positive image Adopts new technology Company is well run	85% 50% 30%	Enhances good name	60%
	3	55%	1	60%
Gain/Loss	Correct profit figure	50%	Ease of measurement Direct benefits Ease decision-making Motivation of employees Use as a marketing tool	70% 60% 60% 60% 55%
	1	50%	5	61%
Concern for the society	Support for government effort Concern for the poor Concern for the customer Support for the education sector Concern for climatic change Care for the environment Response to disaster Customer aided in decisions	70% 55% 50% 35% 35% 30% 25% 15%	Support for government effort Involvement in hunger relief Concern for climatic change	70% 50% 45%
	8	39.38%	3	55%
Conflict resolution	Reduce problems between stakeholders	30%	Settling stakeholders' disputes Negotiation with labour unions	50% 40%
	1	30%	2	45%

APPENDIX H: PEARSON AND SPEARMAN CORRELATION COEFFICIENTS

Pearson Correlation Coefficients

	DIS	GER	SIZ	PRO	LIQ	OWN	NED	IN1	IN2	IN3	IN4	IN5	IN6	IN7	IN8	IN9	COU
DIS	1																
GER	.071	1															
SIZ	.830	.132	1														
PRO	.673	.087	.724	1													
LIQ	.264	-.030	.190	.183	1												
OWN	-.407	-.150	-.547	-.568	-.032	1											
NED	-.119	.065	-.161	-.113	.070	.179	1										
IN1	.027	.115	.038	.022	-.120	-.139	-.389	1									
IN2	-.114	-.223	-.065	-.138	-.010	.033	.022	-.184	1								
IN3	-.182	-.007	-.212	-.308	-.088	.211	.098	-.123	-.152	1							
IN4	-.056	.082	-.003	.152	.063	.075	.054	-.136	-.169	-.113	1						
IN5	-.097	.068	-.044	-.116	.084	.171	-.016	-.109	-.135	-.090	-.100	1					
IN6	.070	.018	.198	.138	.033	-.144	.208	-.123	-.152	-.102	-.113	-.090	1				
IN7	.209	-.015	.168	.296	.130	-.105	.123	-.109	-.135	-.090	-.100	-.080	-.090	1			
IN8	.019	-.053	-.067	-.098	-.044	-.030	-.002	-.149	-.184	-.123	-.136	-.109	-.123	-.109	1		
IN9	-.116	.024	-.210	-.166	-.238	.197	.142	-.076	-.093	-.063	-.069	-.055	-.063	-.055	-.076	1	
COU	-.105	-.108	-.055	-.034	-.118	.039	.118	.156	.034	.090	.000	.050	-.045	.050	-.195	-.069	1

Spearman's Correlation Coefficients

	DIS	GER	SIZ	PRO	LIQ	OWN	NED	IN1	IN2	IN3	IN4	IN5	IN6	IN7	IN8	IN9	COU
DIS	1																
GER	.098	1															
SIZ	.804	.131	1														
PRO	.684	.084	.728	1													
LIQ	.280	-.031	.182	.180	1												
OWN	-.414	-.101	-.541	-.604	-.045	1											
NED	-.051	.023	-.179	-.155	.071	.265	1										
IN1	.064	.118	.039	.067	-.095	-.088	-.448	1									
IN2	-.114	-.219	-.060	-.140	.001	.068	.021	-.184	1								
IN3	-.178	-.017	-.209	-.343	-.095	.203	.113	-.123	-.152	1							
IN4	-.055	.103	-.006	.125	.035	.068	.070	-.136	-.169	-.113	1						
IN5	-.140	.088	-.061	-.134	.070	.149	-.017	-.109	-.135	-.090	-.100	1					
IN6	.117	.001	.226	.158	.025	-.165	.181	-.123	-.152	-.102	-.113	-.090	1				
IN7	.192	-.038	.157	.306	.128	-.144	.135	-.109	-.135	-.090	-.100	-.080	-.090	1			
IN8	.008	-.046	-.064	-.083	-.057	-.061	.017	-.149	-.184	-.123	-.136	-.109	-.123	-.109	1		
IN9	-.124	.034	-.210	-.171	-.202	.207	.136	-.076	-.093	-.063	-.069	-.055	-.063	-.055	-.076	1	
COU	-.095	-.112	-.048	-.033	-.130	.025	.124	.156	.034	.090	.000	.050	-.045	.050	-.195	-.069	1

APPENDIX I: CONTENT ANALYSIS INTER-CODER RELIABILITY TEST

Appendix I.1: Phase 1

	Decision-making	Fair presentation	Stewardship	Industrial practice	Regulatory agencies	Required by parent	Global standards	Attention of the media	Societal pressures	Image	Leadership	Market advantage	Provision of quality product/service	Promotion of the brand	Investors	Employees information	Customers	Stakeholder relations	Support for government	Total		
Decision-making	22																				22	
Fair presentation		32																				32
Stewardship			27																			27
Industrial practise				18		8																26
Regulatory agencies					12																	12
Required by parent																						0
Global standards							13															13
Attention of the media								14														14
Societal pressures									15													15
Image										40	9											49
Leadership																						0
Market advantage												16		9								25
Provision of quality product/service													23									23
Promotion of brand																						0
Investors															27							27
Employees information																12						12
Customers																	14					14
Stakeholder relations																		19				19
Support for government																				19		19
	22	32	27	18	12	8	13	14	15	40	9	16	23	9	27	12	14	19	19			349

Appendix I.2: Phase 2

	Decision-making	Fair presentation	Stewardship	Industrial practice	Regulatory agencies	Required by parent	Global standards	Attention of the media	Societal pressures	Image	Leadership	Market advantage	Provision of quality product/service	Promotion of the brand	Investors	Employees information	Customers	Stakeholder relations	Support for government	Total
Decision-making	22																			22
Fair presentation		32																		32
Stewardship			27			4														31
Industrial practise				18																18
Regulatory agencies					12															12
Required by parent						4														4
Global standards							13													13
Attention of the media								14												14
Societal pressures									15											15
Image										40										40
Leadership											9									9
Market advantage												16								16
Provision of quality product/service													23							23
Promotion of brand														9						9
Investors															27					27
Employees information																12				12
Customers																	14			14
Stakeholder relations																		19		19
Support for government																			19	19
	22	32	27	18	12	8	13	14	15	40	9	16	23	9	27	12	14	19	19	349

APPENDIX J: CONTENT ANALYSIS

Super-category	Categories	Overall		High Disclosures		Low Disclosures		Z-test	P-value	Decision
		No. of Constructs	%	No. of constructs	%	Number of constructs	%			
Benefits to Management	Decision making	22	6.3	9	5.0	13	7.79	1.03	0.3014	Accept H0
	Fair presentation	32	9.2	14	7.8	18	10.7	0.93	0.3532	Accept H0
	Stewardship	27	7.7	15	8.3	12	7.1	0.43	0.6673	Accept H0
		81	23.2	38	21.1	43	25.5	0.96	0.3380	Accept H0
Institutional factors	Industrial practice	18	5.2	6	3.3	12	7.1	1.59	0.1115	Accept H0
	Regulatory agencies	12	3.4	6	3.3	6	3.55	0.11	0.9102	Accept H0
	Required by parent	8	2.3	2	1.1	6	3.55	1.52	0.1279	Accept H0
	Global Standards	13	3.7	7	3.9	6	3.55	0.17	0.8669	Accept H0
	Attention of the media	14	4.0	7	3.9	7	4.14	0.12	0.9053	Accept H0
	Societal pressures	15	4.3	4	2.2	11	6.51	1.99	0.0470	Reject H0
		80	22.9	32	17.8	48	28.4	2.36	0.0183	Reject H0
Reputation	Image	40	11.5	25	13.9	15	8.9	1.47	0.1421	Accept H0
	Leadership	9	2.6	7	3.9	2	1.2	1.6	0.1104	Accept H0
	Market Advantage	16	4.6	12	6.7	4	2.4	1.92	0.0550	Reject H0
	Provision of quality product/Service	23	6.6	7	3.9	16	9.5	2.10	0.0358	Reject H0
	Promotion of the brand	9	2.6	6	3.3	3	1.8	0.91	0.3613	Accept H0
		97	27.8	57	31.7	40	23.7	1.67	0.0955	Accept H0
Stakeholder management	Investors	27	7.7	14	7.8	13	7.7	0.03	0.9749	Accept H0
	Employees information	12	3.4	10	5.6	2	1.2	2.24	0.0248	Reject H0
	Customers	14	4.0	10	5.6	4	2.4	1.52	0.1293	Accept H0
	Stakeholders relations	19	5.4	11	6.1	8	4.7	0.57	0.5701	Accept H0
	Support for government	19	5.4	8	4.4	11	6.5	0.87	0.3843	Accept H0
		91	26.1	53	29.5	38	22.5	1.48	0.1389	Accept H0
Total		349	100.0	180	100.0	169	100.0			

APPENDIX K: HONEY TECHNIQUE INDICES – MAIN STUDY

Honey Technique indices					
Institution factors					
<i>Attention of the media</i>					
HD13-11	75	H	LD13-13	70	I
HD3-5	70	I	LD14-4	70	I
HD5-1	70	I	LD5-2	70	I
HD8-5	65	I	LD6-8	70	I
HD9-2	65	I	LD2-6	65	I
HD1-13	60	L	LD7-4	65	I
HD14-4	60	L	LD10-10	60	L
Societal pressures					
HD10-12	60	L	LD10-7	70	I
HD2-5	60	L	LD12-6	70	I
HD6-10	60	L	LD14-11	70	I
HD9-11	60	L	LD5-11	70	I
			LD2-5	70	I
			LD4-6	70	I
			LD8-8	70	I
			LD10-10	70	I
			LD3-9	65	I
			LD5-4	60	L
			LD6-6	60	L
Global standards					
HD1-3	75	I	LD7-2	90	H
HD13-12	70	I	LD11-2	80	H
HD2-7	70	I	LD13-4	65	I
HD10-2	65	I	LD5-3	65	I
HD5-11	60	L	LD9-11	65	I
HD6-13	60	L	LD15-4	60	L
HD9-12	60	L			
Industrial practice					
HD7-3	90	H	LD12-2	85	H
HD4-8	75	H	LD2-2	85	H
HD11-4	70	I	LD6-2	85	H
HD12-2	65	I	LD8-2	85	H
HD11-5	60	L	LD9-2	85	H
HD8-3	60	L	LD10-9	80	H
			LD3-4	80	H
			LD4-3	80	H
			LD14-2	75	H
			LD2-1	70	I
			LD4-9	65	I

			LD5-12	60	L
Regulatory agencies					
HD13-1	75	H	LD11-1	70	I
HD14-8	75	H	LD14-1	70	I
HD2-11	65	I	LD15-10	70	I
HD5-9	65	I	LD1-6	70	I
HD9-10	60	L	LD4-10	60	L
HD12-11	55	L	LD8-3	60	L
Required by parent company					
HD7-7	70	I	LD15-11	85	H
HD11-12	60	L	LD1-7	85	H
			LD9-1	85	H
			LD13-11	75	H
			LD3-7	75	H
			LD7-10	75	H
Benefit to Management					
Decision-making					
HD1-14	75	H	LD13-9	75	H
HD12-4	70	I	LD6-11	75	H
HD15-11	70	I	LD8-1	70	I
HD13-8	65	I	LD11-11	70	I
HD15-3	65	I	LD5-8	65	I
HD11-10	60	L	LD8-11	65	I
HD12-1	60	L	LD15-1	60	L
HD4-5	60	L	LD3-2	60	L
HD5-8	60	L	LD6-7	65	I
			LD9-4	65	I
			LD11-4	60	L
			LD4-4	60	L
			LD14-12	60	L
Fair presentation					
HD13-6	75	H	LD6-12	95	H
HD7-2	75	H	LD7-5	80	H
HD6-12	70	I	LD15-7	75	H
HD13-4	70	I	LD10-3	70	I
HD10-11	65	I	LD12-8	70	I
HD4-12	65	I	LD13-3	70	I
HD9-6	65	I	LD14-3	70	I
HD7-10	65	I	LD8-5	70	I
HD1-10	60	L	LD1-11	65	L
HD11-1	60	L	LD11-3	65	I
HD14-7	60	L	LD1-2	65	I
HD2-2	60	L	LD12-7	65	I
HD3-8	60	L	LD2-3	65	I

HD6-9	60	L	LD6-9	65	I
			LD15-3	60	L
			LD3-10	60	L
			LD3-6	60	L
			LD10-8	60	L
Stewardship					
HD15-5	75	H	LD1-9	80	H
HD10-1	70	I	LD13-10	75	H
HD10-10	70	I	LD8-12	75	H
HD1-1	70	I	LD11-12	75	H
HD1-11	70	I	LD13-6	70	I
HD11-11	70	I	LD5-6	70	I
HD12-6	70	I	LD7-7	70	I
HD14-1	70	I	LD1-3	65	I
HD14-12	70	I	LD4-2	65	I
HD15-1	70	I	LD14-9	65	I
HD15-4	70	I	LD7-3	65	I
HD14-10	65	I	LD3-12	60	L
HD14-3	65	I			
HD12-10	60	L			
HD2-10	60	L			
Reputation					
Provision of quality product					
HD4-11	70	I	LD10-2	75	H
HD8-2	70	I	LD14-10	75	H
HD13-2	65	I	LD4-8	75	H
HD13-9	65	I	LD7-9	75	H
HD11-6	60	L	LD9-9	75	H
HD7-4	60	L	LD1-10	70	I
HD7-6	60	L	LD11-5	70	I
			LD15-6	70	I
			LD8-10	70	I
			LD9-10	70	I
			LD1-10	65	I
			LD12-4	65	I
			LD2-11	65	I
			LD3-3	65	I
			LD8-4	65	I
			LD4-12	60	L
Image					
HD6-6	95	H	LD7-6	90	H
HD2-3	85	H	LD15-8	85	H
HD10-4	80	H	LD15-2	85	H
HD11-3	80	H	LD1-1	80	H
HD15-6	80	H	LD11-7	80	H

HD2-1	80	H	LD5-1	80	H
HD3-2	80	H	LD6-4	80	H
HD4-7	80	H	LD9-6	80	H
HD7-1	80	H	LD12-5	80	H
HD8-6	80	H	LD10-6	75	H
HD4-9	80	H	LD1-12	75	H
HD3-6	75	H	LD12-9	75	H
HD8-8	75	H	LD2-8	75	H
HD4-4	75	H	LD8-9	75	H
HD6-5	75	H	LD14-8	70	I
HD7-9	75	H			
HD15-8	75	H			
HD10-5	70	I			
HD2-6	70	I			
HD3-7	70	I			
HD9-7	70	I			
HD5-3	60	L			
HD7-11	60	L			
HD9-9	60	L			
HD14-9	60	L			
Leadership					
HD1-12	80	H	LD13-1	80	H
HD3-3	80	H	LD5-5	80	H
HD6-1	80	H			
HD4-2	75	H			
HD9-1	75	H			
HD11-2	70	I			
HD8-9	65	L			
Market advantage					
HD14-11	80	H	LD1-8	65	I
HD1-9	80	H	LD4-1	60	L
HD2-9	80	H	LD7-1	60	L
HD3-12	80	H	LD6-3	60	L
HD6-4	80	H			
HD15-2	75	H			
HD4-3	75	H			
HD10-9	75	H			
HD3-13	75	H			
HD14-2	70	I			
HD2-12	60	L			
HD8-10	60	L			
Promotion of brand					
HD8-11	80	H	LD13-2	80	H

HD5-7	80	H	LD12-1	70	I
HD6-11	80	H	LD4-12	70	I
HD7-8	70	I			
HD5-10	65	I			
HD12-9	60	L			
Stakeholder Management					
<i>Customers decision-making</i>					
HD13-3	80	H	LD2-4	70	I
HD10-8	70	I	LD5-9	70	I
HD15-10	70	I	LD9-8	70	I
HD4-1	70	I	LD3-11	60	L
HD5-2	70	I			
HD11-7	65	I			
HD1-8	65	I			
HD6-3	65	I			
HD12-8	60	L			
HD7-5	60	L			
<i>Support for government</i>					
HD10-6	75	H	LD6-5	80	H
HD13-7	75	H	LD12-10	75	H
HD2-4	75	H	LD13-8	70	I
HD7-12	75	H	LD3-1	70	I
HD1-6	70	I	LD5-10	70	I
HD5-5	70	I	LD8-6	70	I
HD6-7	70	I	LD11-8	65	I
HD8-1	70	I	LD2-9	65	I
			LD15-5	60	L
			LD4-13	60	L
			LD9-7	60	L
<i>Investors decision-making</i>					
HD3-11	80	H	LD9-5	85	H
HD8-7	75	H	LD9-3	75	H
HD10-7	70	I	LD13-7	70	I
HD11-9	70	I	LD11-9	70	I
HD1-7	70	I	LD14-7	70	I
HD2-8	70	I	LD4-7	70	I
HD5-6	70	I	LD6-1	70	I
HD15-9	65	I	LD7-8	70	I
HD7-13	65	I	LD5-7	65	I
HD12-3	60	L	LD10-4	65	I
HD14-6	60	L	LD15-9	65	I
HD4-10	60	L	LD2-10	65	I
HD9-3	60	L	LD1-4	60	L
HD9-8	60	L			

Employees information					
HD9-5	85	H	LD13-5	85	H
HD5-4	80	H	LD3-5	60	L
HD11-8	70	I			
HD12-7	70	I			
HD3-9	70	I			
HD6-8	70	I			
HD3-1	60	L			
HD3-4	60	L			
HD6-2	60	L			
HD1-2	55	L			
Stakeholder relations					
HD1-5	85	H	LD10-5	90	H
HD15-7	85	H	LD2-7	85	H
HD3-10	85	H	LD12-3	80	H
HD8-4	85	H	LD3-8	80	H
HD10-3	80	H	LD11-6	75	H
HD12-5	80	H	LD4-5	75	H
HD13-5	80	H	LD8-7	75	H
HD1-4	80	H	LD14-5	65	I
HD14-5	80	H			
HD4-6	80	H			
HD9-4	80	H			

APPENDIX L: RATINGS OF “INFLUENCE DISCLOSURE CONSTRUCT

Elements

Element no.	Elements
1	Environmental
2	Energy
3	Employees
4	Education
5	Health
6	Hunger relief
7	Corporate governance
8	Customer
9	Product
10	Other social information

Appendix L.1: High Disclosure Group Ratings of “Influence Disclosure” Construct

		Elements no.										
		1	2	3	4	5	6	7	8	9	10	
Supplied Constructs	Influence disclosure											Does not influence disclosure
Respondents	HD1	2	3	3	2	3	2	1	3	3	2	
	HD2	3	3	3	2	2	4	2	4	3	3	
	HD3	1	2	3	3	3	3	2	3	4	3	
	HD4	2	3	5	2	2	2	1	3	4	3	
	HD5	3	3	3	2	2	1	2	4	3	2	
	HD6	1	2	3	2	2	1	2	3	3	3	
	HD7	2	3	3	2	2	2	2	3	3	3	
	HD8	2	3	3	1	3	2	2	4	3	3	
	HD9	3	3	2	2	1	1	2	3	5	3	
	HD10	1	3	3	2	1	3	1	2	3	2	
	HD11	1	1	3	4	2	1	1	3	4	2	
	HD12	3	3	3	1	2	3	3	3	5	5	
	HD13	3	3	3	2	2	3	3	2	2	5	
	HD14	2	3	3	3	1	2	3	4	2	2	
	HD15	2	3	2	3	2	3	2	2	2	5	
	Frequency of a score of 4 or 5	0	0	2	1	0	1	0	3	7	3	
	Percentage of a score of 4 or 5	0	0	13.3	6.7	0	6.7	0	20	46.7	20	

Appendix L.2: Low Disclosure Group Ratings of “Influence disclosure” Construct

		Element no.											
		1	2	3	4	5	6	7	8	9	10		
Supplied construct		Influence disclosure										Does not influence disclosure	
Respondents	LD1		2	2	3	3	3	2	3	3	4	3	
	LD2		2	2	3	4	4	5	2	2	3	2	
	LD3		1	1	2	2	2	2	1	4	3	4	
	LD4		2	3	3	1	2	1	2	2	5	2	
	LD5		1	1	4	1	2	2	2	3	4	4	
	LD6		3	3	3	4	5	4	4	5	3	3	
	LD7		2	2	3	2	5	4	4	2	3	4	
	LD8		3	3	5	5	2	2	1	3	2	4	
	LD9		2	3	3	2	2	3	2	1	2	3	
	LD10		2	3	3	4	3	4	2	2	2	1	
	LD11		2	2	2	2	2	4	3	1	4	4	
	LD12		3	3	3	2	2	3	2	4	3	4	
	LD13		1	1	3	1	3	3	2	3	5	3	
	LD14		2	3	2	3	1	1	2	2	4	4	
	LD15		2	3	3	3	2	1	3	5	4	3	
	Frequency of a score of 4 or 5		0	0	1	4	3	5	2	4	5	7	
	Percentage of a score of 4 or 5		0	0	6.7	26.7	20	33.3	13.3	26.7	33.3	46.7	