WHO MATTERS TO UK AND GERMAN FIRMS? MODELLING STAKEHOLDER SALIENCE THROUGH CORPORATE SOCIAL REPORTS

Kenneth Amaeshi

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Abstract

Drawing from a longitudinal study of stakeholder salience in the UK and Germany, using data from corporate social reports and relying on the varieties of capitalism theoretical framework, we found that investors and employees came top on UK list while collaborative networks (including suppliers and alliances) and management were top on German list of important stakeholders. This finding suggests that stakeholder salience, to a large extent, reflects dominant characteristics of UK and Germany capitalist systems, respectively and gives further credence to the embedded nature argument of corporate stake-holding practices.

Keywords: Stakeholder Salience; Corporate Social Reports; Varieties of Capitalism; United Kingdom and Germany

Contact Details:

Kenneth Amaeshi
Warwick Business School
Coventry CV4 7AL
United Kingdom

[1] **Email:** kenneth.amaeshi@warwick.ac.uk

Introduction

Who matters to UK and German firms and to what extent do corporate social reports signal institutional embeddedness of stakeholder accountability? There is a growing interest on the institutional embeddedness and variations of corporate social responsibility (Matten and Moon, forthcoming) and corporate governance (Aguilera et al., 2006; Jackson, 2005) practices, respectively. This interest is mainly driven by the understanding that organisational practices are not only determined by managerial rationality, but are also constrained and enabled by their institutional configurations and social conditions (DiMaggio and Powell, 1983; Granovetter, 1985; Hall and Soskice, 2001; Amable, 2003; Crouch, 2005; Whitley, 1999; Hollingsworth and Boyer, 1998). Despite the increasing attention paid to the institutional embeddedness of corporate behaviour and performance in business and management literature, the application of institutional theory to account for stakeholder accountability and social accounting is rather scarce in social accounting literature[2] – possibly because "[S]ome 'social accountings' remain largely undeveloped" (Gray 2002: 698) and therefore largely in search of some theoretical foundations (Gray, 2002).

In this study, we aim to contribute to social accounting literature by examining the link between institutional contexts and stakeholder salience, through a social accountability artefact – i.e. social reports[3]. Our interest in the use of social reports to proxy stakeholder salience include the fact that social reports are largely seen as instruments of accountability – wherein firms express their commitments to pursuing sustainable business practices and presenting themselves accountable to varieties of stakeholders. This understanding of social reports as accountability artefacts appears to dominate the extant literature on corporate governance, accountability, stakeholder management and corporate social responsibility. In addition, there is a warming up to the increasing interest in production of social reports by firms, as a positive sign of responsible and transparent business practice. And social reports have become essential features of the contemporary business landscape and it is estimated that about 80% of *Fortune 500* firms now produce one type of report or the other on their social, economic and environmental impacts (Kolk, 2003). Given the prominence these reports are gaining in the business world, one would at least, expect them to have some consumption consequences either in form of shaping discourses and or initiating actions (Phillips et al., 2004; Burgess, 1990).

Our interest in stakeholder salience is based on the fact that it is core to the understanding and pursuit of stakeholder accountability - "the giving and demanding of reasons for conduct" (Roberts and Scapens, 1985:447) to and by different stakeholder groups. Hitherto, the social accounting literature has presented decision making on stakeholder salience as something solely internal to the firm and under managerial

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[2] Cormier et al., (2005) and Cormier and Magnan (2003) are exceptions

[3] Corporate social reports fall under the broad category of social accounts which Gray (2002:687) described as "…a generic term for convenience to cover all forms of 'accounts which go beyond the economic' and for all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting." These varieties would be used interchangeable in this document, although social reports would be dominant.

perception and bounded rationality (Mitchell et al., 1997; Agle et al., 1999). We challenge the managerial hegemony and thinking that have dominated the social accounting field of research for a long time (Gray, 2002) and argue that the institutional configurations of economies could, for instance, account for why certain accountability measures and mechanisms (e.g. codes of conduct, GRI and AA1000 standards) are accepted or not, and or adopted/adapted, by firms in these economies. Using firm-level yardstick (e.g. internal organisational environment, management style, organisational ethical climate, etc) to judge and interpret accountability practices, as often suggested in critical accounting literature (e.g. O'Dwyer, 2002,2003,2005; Owen et al., 2001; Swift, 2001), could in our opinion be very limiting due to the over-dependence of such accountability arguments on discretional managerial rationality. In addition, we theorise stakeholder salience as the perceived ability of a stakeholder to exercise a combinatory factor of legitimacy, power and urgency, which could sway organisational control and influence (Mitchell et al., 1997; Agle et al., 1999).

In order to provide a complementary view to the notion of managerial capture of corporate accountability (Owen et al., 2000), we accept the logic that stakeholder salience outcomes could be shaped differently not only by managers, but also by the institutional configurations in which they are enacted. For example, Agle et al. (1999) in their study of USA firms found that different stakeholder groups exhibited different salience based on their perceived power, legitimacy and urgency. This view does not claim any superiority to the managerial view but rather complements it. It suggests that equal attention should be paid to both institutional contexts and managerial discretions in corporate accountability and social accounting discourses. This is in recognition of the fact that: "Firms are not simple 'institution-takers'; firm strategies interact with the institutional framework, which can lead to institutional reconfigurations, especially in the process of adjustment" (Borsch, 2004:370). In addition to identifying and recognising stakeholder salience in different institutional contexts, an issue that is still debated in this field of enquiry is the *order* of importance (salience) the different business systems attach to the different stakeholder groups – i.e. their 'relevant publics' (Lindblom, 1994).

Relying on the varieties of capitalism theoretical framework we present an empirical study of stakeholder salience in two different capitalist systems – the UK and Germany. Drawing from a longitudinal study of corporate social reports in these countries, we argue that stakeholder salience is not only expressions of managerial choice and rationality, as often presented in social accounting literature, but is also a product of its institutional contexts. The study is largely exploratory and does not present or adopt any normative stance (or 'best practice' approach) towards corporate stake-holding, governance and accountability. These are rather examined as neutral business practices (Amaeshi and Adi, 2007). The paper is divided into three main sections. First we discuss stakeholder salience, corporate governance and accountability; and their links to the varieties of capitalism analytical framework. Secondly we discuss the UK and German institutional contexts and the recent changes in both economies. We then present our empirical data, discuss the findings and finally highlight areas of further research.

Stakeholder salience, accountability and comparative business systems

The stakeholder perspective to organising and managing firms is one of the major management paradigm shifts in the late last century. The theory, in its present form traceable to Freeman (1984:246), broadly and loosely defines stakeholders as "…those groups and individuals who can affect, or are affected by the achievement of an organization's purpose" – for example shareholders, employees, suppliers, government, competitors, local communities and the environment. One of the popular propositions of the stakeholder theory is the view that firms exist at the nexus of series of interdependent relationships with groups that can affect or are affected by them (Crane and Livesey, 2003). Given the infinite network of relationships a firm could be entangled in, this proposition, however, poses some fundamental managerial challenges such as defining the boundaries of stakeholder-ship and effectively managing these relationships that often come with conflicting interests and goals. This challenge tends to polarise views on stakeholder approach to management, into three broad camps: descriptive, normative and instrumental (Donaldson and Preston, 1995). The descriptive paradigm explains who a stakeholder is, the normative view prescribes who a stakeholder ought to be, while the instrumental view highlights the consequences of considering a stakeholder or not and suggests that stakeholders could be prioritised based on their salience (importance) (Freeman, 1999:233).

Freeman (1999) acknowledged that his 1984 stakeholder theory is instrumental and pragmatic. As such, he suggested that: "…if organizations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organization's purposes" (234). In addition, it is necessary for an effective firm to manage the relationships that are important, irrespective of the purpose of the firm. Extending the instrumental view, Mitchell et al. (1997) theorised that stakeholder salience is a combination of the following factors: power, legitimacy and urgency. A stakeholder group has power when it can impose its will on the firm, especially when it controls resources needed by the firm (Pfeffer, 1981); while legitimacy implies that stakeholder demands comply with prevailing norms and beliefs. Legitimacy is achieved if patterns of organisational practice are in congruence with the wider social system (Scott 1987; Powell and DiMaggio, 1991). However, power and legitimacy can appear together, giving authority to those who have both (Weber, 1947), but they can also appear independently. Finally, urgency is a concept sustained on two elements: (1) the importance stakeholders accord their own demands; and (2) their sensitivity to how long it takes managers to deal with their demands (Gago and Antolin, 2004). These salient variables according to Mitchell et al. will determine how a firm responds to its stakeholders. Optimal strategic stakeholder management is, therefore, dependent on the ability of firms to identify and be responsive to salient stakeholders within their business environment.

Stakeholder salience is a precursor to stakeholder accountability and both are interdependent. Roberts and Scapens (1985:447) define accountability as "the giving and demanding of reasons for conduct". It is an art of "…making the invisible visible" (Munro, 1996:5) through the "…provision of information … where the one accountable, explains or justifies actions to the one to whom the account is owed" (Gray et al., 1997). Traditionally, under the principal-agent dispensation, firms have limited their accountability to shareholders as economic and legal owners of the firm. Friedman (1961/2) reinforced this form of accountability when he argued that the primary responsibility of firms is to pursue profits within the limits of the law. The economic logic of accountability leans heavily on what Korhonen (2002) called the ‘dominant social paradigm’ (DSP) of profit maximization for the owners of the firm. The DSP emphasizes such issues as competitive advantage, cost minimization, equilibrium, market efficiency, optimal returns on investments (including labour) and market dominance. Shareholder accountability is the bedrock of modern capitalism. Adherence to this culture of capitalism often comes with its rewards in terms of increase in shareholders wealth and firm growth; although it sometimes leads to market failures (i.e. monopolies, pollutions, et cetera). Stakeholder accountability has emerged, towards the end of the last century, as complement to shareholder accountability (Gray et al., 1988; Gray, 2002; Owen et al., 2000).

According to Gray et al. (1988), the underlying principles of stakeholder accountability derive from a firm's accountability to the wider society as inherent in a social contract between the society and business – i.e. the idea that business derives its existence from the society. This accountability inherent in the form of social contract is enforced through the market forces that punish or reward corporate behaviour (Swift, 2001; Donaldson and Preston, 1995). In this regard, Korten (2004) argues that the market by necessity needs information to be effective – as such, corporations should be demanded to produce the necessary and complete information required by the market to punish or reward – this will constitute accountability to the market, which cannot be achieved through self regulation. Accountability, therefore, in turn connotes some level of transparency; and transparency carries with it some risks of disclosure that could hurt (Gray, 2002; Owen et al., 2000).

This perspective of stakeholder accountability seems to be driving the current surge of interests in social reports. Interest in and demand for stakeholder accountability has been on the increase. The 1970s enjoyed a boom in social accounting which disappeared in the 1980s and has reappeared since the 1990s. In addition, the accounting and governance travesties of such firms as Enron and WorldCom in the USA and Parmalat in Italy, to mention but a few have made such demands for corporate accountability and social reports even more pertinent. Within these social reports, firms aim to signal accountability towards, and willingness to be held accountable by, their different stakeholder groups on such issues as their environmental footprints, poverty reduction, labour and employment conditions, gender and equality, community and consumer welfare, corporate governance and ethics. It is also argued that firms use corporate social reports as subtle strategies to re-affirm their legitimacy (Brown and Deegan, 1998; Neu et al., 1998), and appeal to salient stakeholders (Gray, 2002; Hooghiemstra, 2000).

Unfortunately, the target of social reports has been one of the vexed issues about these reports in recent times. Unlike corporate annual reports that are specifically addressed to shareholders, corporate social reports often start with such diffused salutations as “Dear Readers” or “Dear Stakeholders”. This diffused and non-specific addressee approach tends to demean social reports as mere ‘talks to all, but to none’. Some critics have even gone as far as describing social reports as artefacts of managerial capture (Owen et al., 2002) “…used by a privileged part of the socio-economic-political system (capitalist elites) to protect and advance their sectional interests” (Unerman, 2003:429). This line of argument, which has dominated stakeholder accountability thinking for a long time now, tends to assume that managerial actions are largely rational and thus discretional. It is within this discretional rationality, it is argued, that managers as representatives of firms exercise power and dominion over different stakeholder groups.

Over the years, stakeholder management discourse and practice has also been anchored on managerial discretion. In other words, stakeholders that receive priority from management will be those whom managers perceive as highly salient (Agle et al., 1999). This managerial elitism has, in the main, continued to dominate stakeholder management discourse, with little or no emphasis placed on the contextual embeddedness of managerial thoughts and actions in stakeholder management practice and discourse. This situation, which is arguably a manifestation of the rational choice school of thought, could be, borrowing from Granovetter (1985), described as an under-socialised account of stakeholder management practice. Theorists have recently begun to challenge this managerialist view and to interpret firms' interactions with their stakeholders from a much broader perspective that incorporates institutional, cultural and societal contexts, into the debate.

Contrary to the under-socialized view of managerial discretional rationality dominant in the literature, new waves of interpreting corporate governance and stake-holding, which have been on the increase, have drawn insights from neo-institutionalism (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) and comparative business systems (e.g. Varieties of Capitalism [Hall and Soskice, 2001] and National Business Systems [Whitley, 1998]) perspectives. Despite their subtle differences (Tempel and Walgenbach, 2007; Geppert et al., 2006) proponents of neo-institutionalism and comparative business systems argue that managerial thoughts and actions are not only outcomes of managerial rationality, but are both enabled and constrained by the contextual attributes of the institutional environments in which they are crafted and executed. These contextual attributes could be in form of social norms, beliefs, networks, and other institutional characteristics and influences. Following this understanding, stakeholder accountability becomes a negotiated outcome of interactions between managerial discretion and institutional contexts; albeit the institutional dimension appears to be under-emphasised in the extant literature.

As an offshoot of institutional theory, the Varieties of Capitalism (VoC) model (Hall and Soskice, 2001) of comparative business systems, for instance, offers an analytical framework towards understanding the political economy of firm behaviour and performance. It explains variations and change within capitalist systems through its broad dichotomization of institutional contexts into Coordinated Market Economies (CME) and Liberal Market Economies (LME). This line of thinking is championed by such scholars as Amable (2004), Crouch (2005), Whitley (1998), Hollingsworth and Boyer (1997) and others. The central theme common to these scholars' works is their emphasis on the distinctiveness of institutional contexts in which firms operate, based on such indices as legal and governance system, sources of finance and skills, and other social agents like unions and regulatory authorities. Following this line of thinking, corporate governance could be therefore considered as 'coalitions between investors, employees and management' (Jackson, 2005).

However, it is not uncommon in comparative capitalism literature to stylise coordinated market economies as stakeholder oriented and liberal market economies as shareholder oriented (Dore, 2000). The CME is organisational oriented and firms within it thus focus on meeting broad range of stakeholders' needs (e.g. employees, suppliers, shareholders, etc), whereas the LME is market oriented and focuses more on meeting shareholders needs than those of any other stakeholder groups (Dore, 2000; Amable, 2003; Hall and Soskice, 2001; Crouch, 2005). Japan and Germany are examples of CME whereas UK and the USA are examples of LME. In this regard, it is argued that different national and institutional contexts provide some sort of comparative advantages to firms within them. For example, the power, legitimacy and urgency of a unionised work group to impact on the activities of a firm would, for instance, depend on the legal institutions and societal expectations in which such unions are imbedded in.

In line with the socio-economic differences inherent in capitalist systems, Maignan (2001) conducted a survey comparing French, German, and North American consumers' evaluations of economic, legal, ethical, and philanthropic responsibilities of firms. The study finds that while U.S. consumers value highly corporate economic responsibilities, French and German consumers are most concerned about businesses conforming to legal and ethical standards. As such, Maignan suggests that these findings provide useful guidance for the efficient management of social responsibility initiatives across borders and for further academic inquiries. In a similar study, Langlois and Schlegelmilch (1990) analyse the usage and contents of corporate codes of ethics. Comparison of a sample of 600 large European companies contrasted with findings reported for similar U.S. firms reveals that significantly fewer European than U.S. firms adopted codes of ethics. In addition, the study found that there are striking differences in content between U.S. and European codes of ethics pointing to the existence of a distinctly European approach to codifying ethics. In a similar effort, Agle et al. (1999) in their study of USA firms found that different stakeholder groups exhibited different salience based on their perceived power, legitimacy and urgency.

New waves of interpreting corporate governance and social responsibility, which have been on the increase, have also drawn insights from comparative business systems perspectives. Matten and Moon (forthcoming), for instance, use their 'explicit' and 'implicit' model to explain the difference between Continental European and North American versions of CSR practice. They suggest that whilst the 'explicit' style characteristic of North American firms' CSR is vociferous about its contribution to the society – for example in provision of healthcare, education, employee welfare and other social amenities, the 'implicit' style characteristic of Continental Europe finds it less attractive to report such social provisions as contributions to the society, since these provisions are already taken care of by the national institutions in which they operate in. The UK government's national health care service (the NHS) has been providing free healthcare service to its citizenry since the 1940s and the German system has ensured that employees' welfare gets top priority in organisations through its co-determination approach to corporate governance – albeit, the principle of co-determination has continued to undergo series of modifications and adaptations (Borsch, 2004). Aguilera and Jackson (2003) presented a comparative corporate governance model which suggests that the LME differs markedly from the CME in terms of stakeholder salience. They emphasised the need to incorporate institutional dimensions to corporate governance discourse (Jackson, 2005; Aguilera and Jackson, 2002).

However, an issue that is still debated in this field of enquiry is the order of importance (salience) the different business systems attach to the different stakeholders – i.e. their 'relevant publics' (Lindblom, 1994). Kochan and Rubinstein (2000:369) suggest that in coordinated market economies, there exist more than one stakeholder with sufficient power and legitimacy to achieve "definitive" status in governance processes of firms. However, they do not suggest any order to the stakeholder salience in CMEs. In a study of corporate social reporting in Germany, Brockhoff (1975) (cited in Schreuder, 1979) found that German firms prioritised employees first (about 50% of the CSR report content), followed by investment in R&D (15%) and philanthropy (2%). A reinterpretation of Agle et al. (1999) USA study shows a different order of stakeholder salience wherein shareholders/ customers/ community came first followed by the government and employees, respectively. In a recent study on varieties of capitalism and variation of corporate social responsibility, Chapple and Gond (forthcoming) suggest that the order of stakeholder salience in both CMEs and LMEs could be as presented below:

	CME	LME
Relative importance of stakeholders in the institutional environment	(1) Employees (2) Customers / Suppliers (3) Environment (4) Shareholders (5) Community	(1) Shareholders (2) Customers / Suppliers / Employees (3) Community (4) Environment

Chapple and Gond (forthcoming)

This is partly in consonance with both Brockhoff (1975) and Agle et al. (1999), respectively. However, Chapple and Gond point out that this suggested order of stakeholder salience in the two business systems needs to be further empirically validated. Following the suggestion of Chapple and Gond (forthcoming) and in order to provide some insights and clarifications into divergent findings in this field of enquiry, this study is a comparative analysis of stakeholder salience in UK and German firms. We acknowledge that stakeholder salience is dynamic and responsive and that social reporting is an account rendering activity with themes that have varied over time. The environment, for instance, dropped-off the social reporting list in the 1980s and surfaced again in the 1990s (Gray, 2002, 2001). While these cyclical changes in social reporting over the decades have been attributed to the subjection of social accounting and its associated activities (e.g. social audits) to the political whims of corporations (Gray, 2001), it has also been advanced that the increasing trend in social reporting by firms is linked to the social pressures on them since the 1970s to be more socially responsible in their practices (Gray, 2002). From a critical management studies' perspective, the production and consumption of corporate social reports could be argued to present an arena of contestation of interests and exercise of power (Gray, 2001). Continuing, Gray argued that:

> This process must produce conflict. Not only will there be conflict between stakeholders – for example, environmental responsibility may be seen as reducing shareholder or employee earnings – but there is bound to be conflict in the mind of the reporting organisation. This will initially be most apparent in the organisation's unwillingness to address the rights of certain stakeholders but will quickly extend to the information that organisations are willing to disclose. It seems highly implausible that many organisations – if any – would voluntarily produce a full and transparent social account (Gray, 2001:14)

Following Gray's line of thought, social reports are susceptible to 'managerial capture' (Owen et al., 2000) and therefore become 'maps of social reality which have a whole range of social meanings, practices and usages, power and interest "written into them" (Hall, 1980:134). It is within this understanding of power relations, managerial capture and interest contestation that the significance of corporate social reports in contemporary business landscape could further be explored and advanced. But what we do not know is how the institutional context interacts with managerial discretion to influence stakeholder salience over time. Following the VoC model, we propose that UK and German firms would differ in their stakeholder orientations and thus would reflect different dominant stakeholder images; especially as "….identities and interests of stakeholders vary cross-nationally' (Matten and Moon, 2005:14). And the main questions guiding this exploratory research, therefore, are:

- How does stakeholder salience differ between UK and German firms, over time?
- Is there any evidence for convergence in UK and German capitalist systems?

Methodology

The study is based on an exploratory content analysis of social reports produced by UK and German firms from 2000 to 2005. The firms chosen for the study were selected systematically to minimise bias in the research data. To eliminate bias associated with size, profitability and global reach of firms, a list of top UK and German firms was drawn from the 2006 edition of *Fortune 500* companies. The use of *Fortune 500* list and similar lists as selection indices is well established in the literature (e.g. Jose and Lee, 2007; Kolk, 2003). The list produced 35 UK firms and 37 German companies. We contacted the 72 firms for hardcopies of their social, environmental and sustainability reports[4] from 1994 to 2006. The choice of corporate social and environmental reports is not arbitrary. As earlier mentioned, we chose social reports because firms have recently adopted them as viable means of communicating to their multiple stakeholders. Corporate social reports have, nowadays, gone beyond mere accountability artefacts to become part of the corporate communication repertoire for image making and reputation building. Even as a tool for accountability, it could be argued that it is possible to glimpse through such reports the accountability direction and stakeholder orientation of firms that use them. Most of these

[4] We included any other reports (e.g. personnel reports produced by some German firms) under the broad category of social reports as earlier defined in the introduction section of this paper.

reports are designed to communicate messages from the management to the report receivers, who interpret the messages and respond in different ways (e.g. by investing in the company, pressing for care of the environment (Lotila, 2004:25). Moreover, the UK and Germany have "very high levels of sustainability reporting" (Kolk, 2003:283).

Majority of the companies, especially the German firms, did not have social reports prior to 2000 and where they did, they had run out of copies to send out and all attempts to secure such hardcopies failed. The list was further narrowed down to reports from 2000 to 2005 to increase the number as shown in Table A in the appendix section. Following this, we further narrowed down the selection based on industry. Deustche Telekom and British Telecom in the telecom sector, and Lufthansa and British Airways in the airline industry met the criteria except that British Telecom did not have 2005 report, as it had stopped hardcopy production of its social reports and only produced internet copies from 2005[5]. We recognised the growing trend in web-based reporting but avoided using web reports for the following reasons:

- Internet copies often offer inferior outputs compared to hardcopies, even when printed.
- The hard copies as arranged and packaged by the companies are significantly different compared to internet copies
- The quality of a photograph is also implicated in the type and texture of the material in which it is printed. This materiality is usually lost on the internet and when printed from the internet
- Hardcopies abide longer than internet copies. They offer a lot more visual flexibilities than internet copies. For instance, they can be easily flipped over, turned, rotated and examined from different angles and positions. These functionalities are very much reduced on the internet.

Finally, we settled for Lufthansa and British Airways in order to control for extraneous variations as much as possible so that identified variations between British Airways and Lufthansa could be pinned down to differences in national institutional contexts. In the first instance, the two companies are in the same sector and business. They are also privatised national carriers of UK and Germany, respectively. It could be argued that the two companies dominate the airline industry in the respective countries. They are also listed on the *Fortune 500* companies in the period covered by this study.

Like most studies on social and environmental reporting (e.g. Jose and Lee, 2007; Cormier et al., 2005; Belal, 2002; Ball et al., 2000; Unerman, 2000; Gray, 1998; Gray et al., 1995a,b), we adopted a content analysis research methodology. Content analysis "…assumes that an independent reality exists (and that) meaning is fixed and reflects reality in ways that can be ascertained through the use of scientific methods" (Hardy et al., 2004:21). One of the main assumptions behind the use of quantitative content analysis as an empirical research tool is that volume of disclosure signifies the importance of a disclosure (Deegan and Rankin, 1996; Gray et al., 1995a; Krippendorff, 1980; Neu et al., 1998). There is a rich literature on what firms disclose in their social

[5] We got email confirmation from BT's CSR Manager in this regard.

reports and the manner they represent these disclosures – e.g. in terms of narratives, visuals, graphs and quantities – (Gray, 2002; Gray et al., 1995a,b; Unerman, 2000). However, unlike most of these studies which tend to focus exclusively on textual or narrative disclosures and structure of the report, we also include a focus on pictures and charts contained in these reports, which often are marginalised in such studies (Unerman, 2000). It is expected that the pictures and charts contained in these reports are not used arbitrarily by these firms and as such are intended to communicate to some 'targeted' audience. In a similar understanding of the relevance of photographs in corporate reports, Anderson and Imperia wrote:

> "Photography in a firm's annual report serves a number of purposes. Pictures are the best way to show stockholders what the company's plants, products, employees, customers, and managers look like (Beveridge, 1963:180-181). Quality photographs help personalize what otherwise might be seen as an impersonal entity (Rivelli, 1984) and project images to tell a story far more memorable than any text or chart (Hershman and Knecht, 1981)" (Anderson and Imperia, 1992:114)

In addition, "narratives are giving way to pictorial forms, with an increasing emphasis on product-related matters designed to influence stakeholders" (Stanton and Stanton, 2002:479) and according to Sid Cato, the annual report is "the ultimate edited statement of how a company wishes to be perceived. The annual report is a corporate Rorschach test" (quoted in Gallant, 1988:68) (quoted in Anderson and Imperia, 1992:114).

The use of photography and other visual artefacts in social research has blossomed in such areas as visual sociology and anthropology as well as in social psychology. Although photography as a source of research data has been around in the social sciences for more than 5 decades, it is still at the periphery in management and organisational studies (Guthey and Jackson, 2005; Preston and Young, 2000). This seeming lack of attention to photography and the visual as sources of research data in management and organisational studies shows the attraction of management and organisational studies scholars towards textualised data (Preston et al., 1996). However, it has been argued and emphasised that photographs offer rich perspectives to understanding reality, including organisational practices, by providing 'a large stock of knowledge about everyday life in organizations' (Strati, 2000:54).

Photography and the visuals as sources of empirical data are gradually penetrating management and organisational studies research. This sort of data collection method is beginning to find expressions in such fields as accounting and marketing. Goffman (1979), for instance, examined the use of photographs in annual reports to reflect gender issues in the workplace. Building on Goffman (1979) and using photographs as well, Dougherty and Kunda (1991) studied 5 American-based computer firms and how they represented their relationships with their customers in visuals. In a similar direction, Anderson and Imperia (1992) leveraged photographs to comparatively analyse the visual representations of men and women in corporate annual reports.

The growing trend in the use of photographs, and other visual artefacts, in the study of management and organisational studies is in emerging recognition of the 'centrality of photographs to the project of corporate legitimization' (Guthey and Jackson, 2005:1065). Preston et al. (1996) suggest three different 'ways of seeing' that could inform analysis of organisations and organisational practices in photographs and other visual media. According to them,

> … The first way of seeing… is premised upon the notion that images are a transparent medium of communication through which corporations send messages to investors and the public. The second way of seeing is concerned with decoding deeply embedded social significances brought to the image by the photographer/designer as well as the viewing subject…. A final way of seeing recognizes the multiple, contradictory, shifting, and equivocal meanings that the designer and viewing subject may bring to pictures… (p.115)

Drawing from van Leeuwen and Jewitt (2006:4)' *Handbook of Visual Analysis*, the first way of seeing suggested above by Preston et al., could be aptly described as the use of photography as *repository of records* while the other two ways of seeing represent photography as a *means of social construction*. The few instances in which photography has been used in management and organisational studies have employed mixed research methodologies, which could be either quantitative, qualitative of both in some cases. In other words, the 'way of seeing' adopted in a case would be influenced by the epistemological bent of both the research and the researcher. While accepting that the three ways could be used to the researchers' methodological inclinations, the first 'way of seeing', according to Preston et al. (1996), could be argued to have greater tendency of lending itself easily to quantitative methodologies than the other two, which are more adaptable to qualitative and interpretative methodologies, in stead.

Given our interest in pictures and graphs, we ensured we had hardcopies of these reports from both British Airways and Lufthansa. We focused only on the analysis of texts contained in Chairmen Statements and or any other Statements from Management. The robustness of this combination of pictures, texts from Chairmen Statements and graphs is aptly supported by Unerman (2000) who argued that "…photographs are sometimes a more powerful tool in CSR than narrative disclosures for stakeholders who do not have either the time or inclination to read every word in the annual report and just flick through it, looking at the pictures and possibly reading the chairman's statement" (p.675).

Due to the complexity involved in unpacking the infinite web of possible stakeholders, we limited our enquiry to the conventional stakeholder groups often mentioned in the literature – employees, suppliers, investors (shareholders), local community, the environment and management. We acknowledge that special attention could likely be paid more to the environment and local communities than any other stakeholders, since these are usually the focus of social and environmental reports. We factor-in this understanding in our data analysis. We also recognise that pages of reports, number of pictures and graphics contained in each could be another source of bias to the outcome of the study. In order to mitigate this, we did not base the data used in our analysis on absolute numbers (i.e. the frequencies of photographs, graphs and texts) presented by each report, but rather converted these frequencies to an intensity factor derived from the ratio of pages of the report to photographs, graphics and texts, respectively, and expressed as percentages. For example, a 50 page report with a total of 70 photographs would first of all yield an intensity factor of 140% (i.e. the ratio of 70 photographs to 50 page report expressed in percentage). Assuming that out of the 70 photographs, 30 of these photographs referred to employees, the 30 employee photographs is ratio-ed against the 140% intensity factor to yield 21.42%. The introduction of the intensity factor (figure) created some parity amongst the data and was substituted for each of the data from the different reports. And stakeholder salience for each of the stakeholder groups studied was derived as an average of 2000 to 2005. It is important to note that a single picture can yield more than one outcome of a dominant stakeholder theme – for instance a picture could both be interpreted as signalling employees and suppliers, respectively. We developed a coding guide to drive content analysis. The guide is presented in the appendix (Table B). It lists criteria for interpreting pictures, charts and texts. These pictures and charts were related to each of the stakeholder groups chosen for the study with the criteria presented in the appendix. The guide yielded an inter-coder reliability of 95%.

Findings and discussions

The tables and graphs below represent the findings of our study and offer some interesting insights. The interpretations of these findings are largely based on the VoC model of comparative capitalism. They are also founded on the recognition that "…firms are situated within a given society and political tradition, which will influence the decisions of individuals within the firm…" (Aguilera et al., 2006:148). This understanding goes beyond the discretional managerial rationality that has dominated social accounting for a long time – wherein corporate governance and accountability is theorised as outcome of managerial perception and bounded rationality (Mitchell et al., 1997; Agle et al., 1999).

In the first instance, and intriguingly, each of the data sources (i.e. photographs, graphics and texts) in isolation gave different messages across both institutional contexts. Based on photographs alone, we found that Management, as a stakeholder group came top in both UK and Germany, followed by the Community in UK and Suppliers (including alliances), in Germany. And in both UK and Germany, Shareholders were completely absent and not represented in photographs. On one hand, the non representation of Shareholders in photographs seems to intensify the 'facelessness' of contemporary capitalism. On the other hand, the use of corporate reports and documents for visual representation of managerial interests and organisational self representation is garnering support in the literature, given the 'centrality of photographs to the project of corporate legitimization' (Guthey and Jackson, 2005:1065). An extension of this perspective, therefore, tends to confirm the managerial capture of social reports as often claimed in the social accounting literature (Owen et al., 2002). This further suggests that social reports go beyond instruments of accountability – wherein firms express their commitments to pursuing sustainable business practices and presenting themselves accountable to varieties of stakeholders, as often presented in the extant literature on corporate governance, accountability, stakeholder management and corporate social responsibility. Social reports could equally offer opportunities for corporate image making and reputation management (Hooghiemstra, 2000).

----- Tables 1 and 2 about here -----

However, what appears to be lacking in the social reporting discourse is the role of these reports in corporate communications, marketing communications and even product communications. The closest one finds in the literature are seemingly derogatory finger-pointing references of corporate social reports as instruments of marketing gimmickry. In such instances, sustainability reporting is viewed primarily as a form of 'window dressing' driven by public and government pressures and which could fade away in the absence of these forces (Kolk, 2003:289). In contrast, corporate annual reports have for long been recognized as instruments of corporate and marketing communications. They are recognized as such because it has been found that firms use them strategically and pragmatically to promote themselves and shape relevant constituents' opinions about them (xxxx). Despite its normative aspiration of presenting "a true and fair account", corporate annual reports are also used instrumentally to sway opinions and re-construct firms' brands and images. And a significant number of literatures have developed on this instrumental dimension of corporate social reports.

The texts or narratives (i.e. Chairmen Statement) in isolation give a different message. Herein, shareholders and management come top in the UK while Management, again, and shareholders come top in Germany, in that order, both after the environment. While in graphics alone, employees and shareholders in that order come top in UK and in Germany, suppliers and consumers come top if the environment and community are not included in both cases.

------ Tables 3, 4, 5 and 6 about here ------

The outcome of the graphics supports the findings of Chapple and Gond (forthcoming). In combination, these findings partially confirm the dominant view of the VoC model which considers the UK as a shareholder capitalism and the Germany system a stakeholder capitalism. They further suggest that it could be deceptive to isolate these data sources as each of them could be used towards some stakeholders and not all. This thinking could also be inferred from the different functions of different parts of annual reports – "the cover of an annual report often begins the theme, which will be carried throughout the narrative, even in the executive letter to shareholders and CEO photograph. With familiar products, the signs used on the cover may tap rich cultural meanings. For example, the sign of the traditional Coke bottle is part of the theme of past, present, and future used in the Coca-Cola 1996 annual report and on the cover of the 1997 annual report and resonates with most audiences who recall pleasant interludes of relaxing with a Coke." (David, 2001: 208). In this regard and as noted by Unerman (2000:675), "[A] strong argument against measuring CSR in terms of numbers of characters, words or sentences is that this will result in any non-narrative CSR disclosures (such as photographs or charts) being ignored. Any unit of measurement which cannot take account of graphs, charts or photographs will omit from the CSR study these potentially powerful and highly effective methods of communication".

However, the shortcomings of each of the data sources is minimised and their predictive robustness enhanced when they are combined. The tables below give a ranking of the stakeholder salience across the different institutional contexts when all the data sources are combined. Shareholders came top on UK list while suppliers (including alliances) came top in Germany, both after the environment. It is not surprising to find the Community at the bottom of the German list. This could be explained as a confirmation of the implicit model of corporate social responsibility and reporting in Continental Europe (Matten and Moon, forthcoming) that is not vociferous on community contributions as the explicit liberal market economy model. It could also be observed from the data presented in the table below that stakeholder salience is dynamic and responsive. It is not a static construct. For instance, while Community came last in 2000, it has witnessed a continuous increase in attention that in 2005 the emphasis placed on it is actually above that of Shareholders in Germany. This could be explained in line with the increasing German adoption of Community and Environment centred corporate social reporting which has been typical of the USA model of CSR reporting. In the study of USA firms and environmental Lober et al (1997:67) found that "…Employees were the most frequently cited target group, indicated by 82% of the companies, followed by shareholders at 74%. Customers and government agencies were cited by over one-half of the report issuers as key audiences. Environmental groups and the local communities were targeted by over 40% of the reports. The general public was a target of 35% of the reports".

----- Tables 7 and 8 about here -----

Another interesting fact coming from the data is how stakeholder salience reacts to shock in an industry. The global aviation sector witnessed an immense shock following the 9/11 event of 2001 that led to massive losses in revenues, profits and employment. Since most reports are likely to be a year behind the actual activities of firms, it could be argued that the 2002 data internalised the shock of the preceding year. It is on this assumption that the sharp rise on the emphasis on shareholders in both institutional contexts could be appreciated. And it appeared like a one off increase in both the UK and German data that went down again from 2003. It is therefore possible to argue that in first of adversities, shareholders are likely to be emphasised in social reports. This is in line with the Economist (2005) prediction that "when commercial interests and broader social welfare collide, profit comes first" (*The Economist* Jan 22, 2005 p.4). It also confirms the strong accountability hold the investor community has on firms.

----- Graph 1 about here -----

As earlier argued in this paper, institutions shape the social and political processes of how stakeholders' interests are defined ("socially constructed"), aggregated, and represented with respect to the firm. A trend that has been hanging over recent debates in comparative capitalism is the idea that the different systems are converging under the powerful influence of globalization. There have been an increasing number of voices suggesting convergence of global corporate governance systems. For example it has been argued that both Japan and German, which have been widely conceptualised in the extant literature following the stakeholder model, are gradually opening up and adapting to the Anglo-Saxon shareholder governance model, albeit with some frictions (Jackson, 2005; Dore 2002; Amable, 2003; etc). As such, on one hand, it is argued that national business systems succumb to the globalised world order. On the other hand, the argument is that national business systems do not disappear, but rather find new and innovative ways of internalising influences coming from globalisation while retaining their distinctiveness (Whitley, 2002). A comparative study of UK and German systems provides a fertile ground to examine this notion of convergence and or distinctiveness.

---- Graph 2 about here ------

Our data confirm that the UK and German models of capitalism are still very much unique in their ways and non-converging in the main – the UK system is still shareholder dominated while the German system is stakeholder dominated. However, one would have expected the Employee stakeholder group to be top on German agenda following the co-determination practice of industrial relations in Germany. The drop in Employee stakeholder salience could be linked to the gradual introduction of neo-liberal economic practices in Germany which is leading to the following: pension reforms, gradual introduction of subsidies and tax advantages to private and occupational schemes, and introduction of a less generous pension-indexation mechanism which have culminated in reduced protection against dismissal for white-collar and small-firm workers (Amable, 2003:248). These reforms also confirm German's gradual conformity to neo-liberal corporate governance practice (Amable, 2003; Shinn, 2001). But in summary, these changes in themselves do not suggest any radical deviations or changes in the German system. These sort of radical changes are not easily foreseeable given that "…welfare systems are embedded in national regulations which are difficult to change without substantial transformation in the structure of interest groups" (Amable, 2003: 246). Continuing, Ambale strongly argue that:

> The Continental European model of capitalism still exists and will do so in forthcoming years. Its features have nevertheless been altered: bank-based finance has not vanished althogher, but it no longer plays the role it used to; the labour market has been made more 'flexible' and the prospects for an increase in job security are uncertain; the social-protection system has experienced a limited adjustment to times of austerity and will have to face the challenges of the ageing population and social exclusion…. As always, one can expect increased pressure for real-wage moderation and a wave of relocation of the most labour-intensive activities…. This is likely to augment unemployment problems in segments of the labour force where they are already serious, i.e. for low-paid and low-skilled workers….. (However)… a move towards a generalization of the market-based model on the Continent is not foreseeable (p.261).

In summary, then, whilst the UK and German institutional contexts continue to remain distinct in many ways, stakeholder salience also reflects the ongoing changes in both economies. The findings of this study, on one hand, give further credence to the embedded nature argument of both corporate governance and corporate stake-holding practices and, on the other hand, challenges the view that globalization is converging hitherto divergent capitalist systems. What could be happening at best is the internalisation of global pressures in distinct ways by the different capitalist systems.

Conclusion

Corporate social reports have been traditionally thought to be artefacts of accountability. Another understanding of social reports in the literature is that they are external manifestations of firms' conformity to regulatory demands. The argument here is that firms report on their social costs and benefits in accordance with some regulatory regimes that either make it compulsory to report or voluntary to report and or provide explanations for not reporting. This perspective tends to emphasis the role of governance institutions (international and national) in pressuring firms to be responsible. Some scholars in this area include those that focus on the roles of governments in furthering the cause of the social responsible movement (e.g. Moon, Kolk, 2003, etc). There is also a school of thought that sees social reports as products of certain institutional contexts. In other words, they are outcomes of firms trying to mimic each other in order to maximise their strategies within given institutional contexts. This school of thought tends to point to such industries as oil/gas/chemicals to substantiate their points. Its argument appears to be based on the *perceived and actual proximity* of the industry to environmental resources and resource exploitation (i.e. environmental impact, Kolk et al., 2001). For instance, it could be argued that industries in the oil/gas/chemicals, which are assumed to be close to the natural resources and resource exploitation, are more likely to be involved in social reporting than shall we say those that are in the financial services sector. Evidence from the literature also tends to support this argument. In her study of social reporting amongst Fortune 250 firms, Kolk (2003:289) noted that: "Although there is a nearly general and significant increase, reporting continues to be much more common in industrial sectors, and less in the financial sector, especially insurance, communications and media, trade and retail and other services".

In addition to these views, we have presented a novel way of modelling corporate stakeholder salience through corporate social reports. Thereby emphasising that social reports are not only artefacts of accountability but also carriers of complex institutional identities. The other perspectives tend to present firms' activities as if they are shielded from their external environments – i.e. their institutional contexts. Nonetheless, the emphasis on the firm as a micro agent in CSR and corporate governance discourse is coming under heavy scrutiny and criticism. As such, there seems to be a deepening disconnect in the literature between studies on corporate governance on one hand, and corporate stakeholder accountability, on the other, especially in terms of their objects of analysis. Whilst the latter is mostly pitched at the firm-level, the former often tends to take a systemic view of institutional contexts in which firms operate (Borsch, 2004). These literatures have continued to run on parallel lines, when in fact they could complement each other. Our study seeks to provide a bridge between stakeholder accountability and comparative capitalism, which is novel in social accounting literature.

It is also novel in the sense that, in our opinion, it is amongst the first to combine graphics, photographs and narratives to study corporate social reports – a combinatory approach advocated by Unerman (2000). As confirmed in our results, the different sources of data (i.e. texts, graphics and photographs), yielded different results when used in isolation. Narrative content analysis has dominated studies on social reporting in social accounting. The differences offered by the different sources of data, suggest that conclusions from studies relying only on one or two data sources should be contextualised and taken with caution. In addition, the importance of photographs as a data source challenges the wholesome migration to web-based social reporting. While this could be seen as an effective way of using information technology, it is possible to lose messages 'hidden' in these photographs and in the process either marginalise or over-empower some stakeholder groups. The resort to web-based-only reporting is likely to re-enforce the managerial capture of social reporting, which could be dangerous. In the first instance, any one without access to the internet is automatically disfranchised from corporate democracy. This is likely to hit hard on stakeholders from developing countries who are to a large extent excluded from the internet economy. A cynical view to the wholesome adoption of web-based-only reporting by some firms is to ask why such firms have not also adopted the same dissemination strategy for their corporate annual reports if they found such strategies effective and socially responsible. This in, our opinion, is another clever way of ducking accountability under the guise of responsible practices through web-based-only reporting and should have some policy implications.

In terms of policy implications, the absence of pictorial representation of shareholders (i.e. investors) is also very striking. The facelessness of shareholders tends to suggest that the enormous influences this group of stakeholders exert on firms are lost to media visibility. In this regard, one could argue that putting a face to this faceless capitalism enhances the chances of knowing, naming and shaming such investors when they behave irresponsibly. This approach could also contribute to reforms towards effective corporate governance and accountability. Total self regulation of corporate accountability may not be completely appropriate. It might be worthwhile for accounting professional bodies and policy makers to suggest some coherent frameworks to promote 'fair and true' social accounting. While acknowledging the significant roles played by the likes of AA1000 and GRI in this direction, we recommend that they take these suggestions into considerations. There is also some credibility mileage to be gained by firms that prefer self regulation to forced regulation to cease this opportunity to enhance their CSR brands and transparency.

Our study is not without some limitations. First, given that the study is based on a limited sample of firms, we suggest that further research on a large scale is required to validate the results we have presented in the paper. This sort of large scale research would test not only for country differences but also for industry, size, profitability and other differences. As such, we do not hope to draw generalizable conclusions from our study. Secondly, we recognise that social reports, like other corporate documents and artefacts, could be overwhelmed and mired by internal power relations (O'Dwyer, 2005) and conflict of interests (Gray, 2001). Moreover, corporate social reports could be utilized strategically for corporate, marketing and product communications. There is also limited knowledge on how corporate social reports foster discourses and engender actions amongst the different stakeholder groups they purport to target. In this regard, it is advisable, therefore, to complement social reports with other corporate documents – including those not in the public domain (Unerman, 2000). To complement the quantitative approach adopted by this study, we suggest that further study could explore the variations in stakeholder salience across institutional contexts with other research methods and approaches such as qualitative case studies, in-depth interviews or even ethnographic methods. Whilst acknowledging that "… the most systematically developed area of social accounting is the positivist analyses of social accounting phenomena – typically, social and environmental disclosures" (Gray, 2002:698), qualitative approaches are very much suited to uncover 'behind-the-scene' activities that inform both production and consumption of social reports. They are suitable for understanding practices within situated contexts. They focus on understanding the dynamics present within single setting (Eisenhardt, 1989) and uncover 'the context in which management behaviour takes place' (Bonoma, 1985). They are also suitable for exploring real-life contexts especially when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 2003:13).

Finally, it is hoped that this study has contributed to our understanding of how stakeholder salience plays out in different institutional contexts – in our case the Coordinated Market Economy and the Liberal Market Economy, which will in turn inform strategies of firms operating or interested in these economies. We hope that this study will spark off interest in the application of models of comparative capitalism to social accounting.

Appendix

Table A: List of UK and German *Fortune 500* Companies (2006)

		94	95	96	97	98	99	00	01	02	03	04	05	06
	United Kingdom													
1.	Anglo American							X	X	X	X	X	X	
2.	AstraZeneca								X	X	X	X	X	X
3.	Aviva							X			X	X	X	X
4.	BP			X	X	X	X	X	X	X	X	X	X	
5.	Centrica										X	X	X	
6.	Corus	X			X	X	X	X		X	X	X	X	
7.	HBOS													
8.	HSBC							X	X	X	X	X	X	
9.	Legal and General Group												X	
10.	National Grid										X	X	X	
11.	Prudential										X	X	X	X
12.	Rio Tinto				X	X	X	X	X	X	X	X		
13.	Royal Bank of Scotland										X	X	X	
14.	Scottish Power					X	X	X	X	X	X		X	
	Germany													
15.	Bayer											X	X	
16.	Bertelsmann	X	X	X	X	X	X	X	X		X		X	
17.	BMW				X	X	X	X	X	X	X	X	X	X
18.	Bosch								X	X	X	X	X	X
19.	Commerzbank												X	
20.	Deutsche Post										X			X
21.	E.ON											X	X	
22.	Henkel	X	X	X	X	X		X	X	X	X	X	X	
23.	Hochtief								X		X		X	
24.	Karstadt Quelle										X		X	
25.	KFW Bankengruppe							X			X			X
26.	Lufthansa			X	X		X		X	X	X	X	X	X
27.	MAN AG												X	X
28.	Munich Re Group								X	X	X	X	X	
29.	Otto Group							X			X			

		94	95	96	97	98	99	00	01	02	03	04	05	06
30.	RWE					X		X	X	X	X	X	X	
31.	TUI										X	X		
32.	Volkswagen				X					X		X		X
33.	WestLB									X	X		X	

Table B: Criteria for identifying stakeholders in pictures/images, graphics and texts in social and environmental reports analyzed

Stakeholders	Criteria for pictures and images	Criteria for texts and graphics	Operationalisation Rationale
Environment/Nature	Any pictures/images (excluding corporate logos) that show the environment or nature – (e.g. animals, climate, wildlife, deserts, seas, planetary bodies, landscapes, natural resources, etc)	Use of the following texts or synonyms: Environment; atmosphere, climate, emissions, pollutions, air quality, natural resources, names of animals, etc Indices on Noise are included as part of the environment; as well as recycling, packaging, fuelling, energy usage	Firms interested in the environment/nature as a stakeholder group will use such representations of the environment and nature in their corporate communication tools (Delaney, 2001; Proctor, 1998; Burgess, 1989)
Employees	Employees at work clearly identified by such facts as corporate logos, corporate uniforms, in corporate offices and other relevant corporate artefacts and symbols (e.g. company van, etc) Where workmen/women are unclassified, such pictures would be taken as employee photos	Use of the following texts or synonyms: Staff; employees; people***	Firms will use such representations to communicate their interests in their employees as stakeholders (Anderson and Imperia, 1992)
Community/ Society	Any pictures/images of cities, streets, villages, community projects (education, healthcare, rural development, social clubs, etc)	Use of the following texts or synonyms: Community; society; people***	Firms will use such representations to communicate their interests in the communities in which they operate as stakeholders (Lutz and Collins, 1993; Ferree and Hall, 1990)

Stakeholders	Criteria for pictures and images	Criteria for texts and graphics	Operationalisation Rationale
Customers	People using products/services; corporate visits, site visits, product launch, product adverts/pictures Air rage is classified as a consumer (passenger) issues Tickets also consumers	Use of the following texts or synonyms: Customers; names of products and services; people***	Firms will use such representations to communicate their interests in their customers as stakeholders (Ogden and Clarke, 2005)
Suppliers	The supplier category includes partnerships and alliances	The supplier category includes partnerships and alliances	It is broadly interpreted that firms operate in networks of other firms – which include suppliers, partnerships as well as alliances (Gulati et al., 2000; Gulati, 1998)
Shareholders	Annual general meetings, monetary symbols and other financial artefacts (e.g. graphs relating to monetary values or financial performances), performance indices	Use of the following texts or synonyms: Investments; investors; performance; quantification of products/ services; people***	Firms will use such representations to communicate their interests in their shareholders as stakeholders. Moreover, given the investment interests of shareholders in a firm, they would be more interested in financial numbers and other performance indices of the company than any other stakeholder groups.
Corporate self propagation (Management)	Corporate logos, flags, sign posts , management signatures and photos, and other identification artefacts and symbols (e.g. corporate plants, equipment, work stations, etc)	Use of the following texts or synonyms: Corporate name; management, CEO, board of directors	Firms will use such representations to propagate their corporate identity/image (Guthey and Jackson, 2005; Robertson and Clarke, 1971)

***people – it is recognised that the use of the text ‘people’ could vary from context to context. The researchers bore this in mind in deciding where to classify any occurrences of such in the texts and graphics analysed

Other complementary criteria

Photos

- Photos including sketches, water marks, and surrealist/impressionist pictures
- Where different pictures are merged (or superimposed) and without clearly marked boundaries between the pictures, they are counted as a single photo

Graphics

- Graphics including pie, bar, trend charts as well as financial performance tables, tables on financial expenditures, large prints of financial symbols
- Process flowcharts are excluded

Logos

- Stand alone corporate logos – i.e. logos not inserted in photographs. They include logos on any attached post cards within the reports. This also applies where a company uses its corporate name as a logo as well – for instance, Rio Tinto

Logos within

- These are corporate logos within pictures or graphs in the reports. These logos should be clearly visible and not inferred – this is in order to maintain some level of “objectivity”

Management Statement (pages)

- Length of Management Statement – chairman statements and any other messages from management

Management Statement (paragraphs)

- Paragraphs of management statements - chairman statements and any other messages from management
- Paragraphs include title of messages, quotes on message pages
- Bullet points are also counted as paragraphs independently

Document Pages

- Total pages of document (s)

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Table 1: ONLY PHOTOS (British Airways)

British Airways

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Management	17.68	10.11	9.85	6.67	12.80	7.50	**10.77**
Community	15.16	15.89	7.38	10.00	**9.60**	5.00	**10.51**
Employees	22.74	18.78	9.85	0.00	**3.20**	7.50	**10.34**
Environment	12.63	15.89	9.85	3.33	**4.80**	0.00	**7.75**
Consumers	7.58	8.67	7.38	0.00	**1.60**	0.00	**4.21**
Suppliers	5.05	4.33	0.00	3.33	**0.00**	5.00	**2.95**
Shareholders	0.00	0.00	0.00	0.00	**0.00**	0.00	**0.00**

Table 2: ONLY PHOTOS (Lufthansa)

Lufthansa

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Management	39.09	25.41	37.19	40.87	**37.20**	49.56	**38.22**
Suppliers	30.30	36.19	15.70	27.69	17.96	28.56	**26.07**
Environment	25.41	11.55	15.70	11.87	32.07	26.88	**20.58**
Employees	15.64	20.79	18.18	13.84	16.03	25.20	**18.28**
Community	2.93	14.63	19.01	13.84	19.88	21.00	**15.22**
Consumers	0.00	3.08	0.83	8.57	3.85	1.68	**3.00**
Shareholders	0.00	0.00	0.00	0.00	0.00	2.52	**0.42**

Table 3: ONLY CHAIRMAN STATEMENT (British Airways)

British Airways

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Environment	216.67	312.50	185.71	100.00	50.00	92.31	**159.53**
Shareholders	83.33	75.00	128.57	71.43	108.33	84.62	**91.88**
Community	66.67	37.50	100.00	28.57	50.00	46.15	**54.82**
Management	16.67	62.50	71.43	35.71	58.33	76.92	**53.59**
Employees	16.67	25.00	42.86	57.14	91.67	69.23	**50.43**
Consumers	16.67	50.00	28.57	0.00	33.33	38.46	**27.84**
Suppliers	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**

Table 4: ONLY CHAIRMAN STATEMENT (Lufthansa)

Lufthansa

	2000	2001	2002	2003	2004	2005	Ranking

	%	%	%	%	%	%	%
Environment	337.50	300.00	171.43	282.35	169.23	141.67	**233.70**
Management	75.00	53.33	57.14	64.71	**53.85**	108.33	**68.73**
Shareholders	12.50	33.33	85.71	76.47	46.15	41.67	**49.31**
Suppliers	50.00	26.67	4.76	100.00	69.23	16.67	**44.55**
Employees	12.50	13.33	19.05	29.41	30.77	116.67	**36.95**
Community	25.00	26.67	28.57	17.65	**23.08**	25.00	**24.33**
Consumers	50.00	6.67	14.29	17.65	**7.69**	25.00	**20.22**

Table 5: ONLY GRAPHICS (British Airways)

British Airways

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Environment	26.09	19.72	12.95	9.17	9.10	8.15	**14.20**
Employees	10.43	10.76	6.86	3.33	3.31	2.22	**6.15**
Shareholders	3.13	4.48	3.81	4.17	4.97	4.44	**4.17**
Consumers	4.17	4.48	3.81	0.83	1.66	1.48	**2.74**
Community	2.09	1.79	0.76	1.67	2.48	2.22	**1.84**
Management	1.04	0.90	2.29	0.83	1.66	0.74	**1.24**
Suppliers	2.09	1.79	0.00	0.00	0.00	0.74	**0.77**

Table 6: ONLY GRAPHICS (Lufthansa)

Lufthansa

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Environment	69.69	73.65	73.29	87.15	75.92	93.75	**78.91**
Suppliers	26.69	65.28	75.21	76.02	34.16	43.13	**53.42**
Consumers	1.48	13.39	40.50	29.67	9.49	5.63	**16.69**
Management	4.45	3.35	3.86	5.56	15.18	9.38	**6.96**
Employees	0	1.67	3.86	1.85	11.39	22.50	**6.88**
Shareholders	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**
Community	0.00	0.00	0.00	0.00	0.00	0.00	**0.00**

Table 7: OVERALL (PHOTOS, GRAPHICS AND TEXTS) (British Airways)

British Airways

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Environment	255.39	348.11	208.51	112.50	63.90	100.46	**181.48**

British Airways

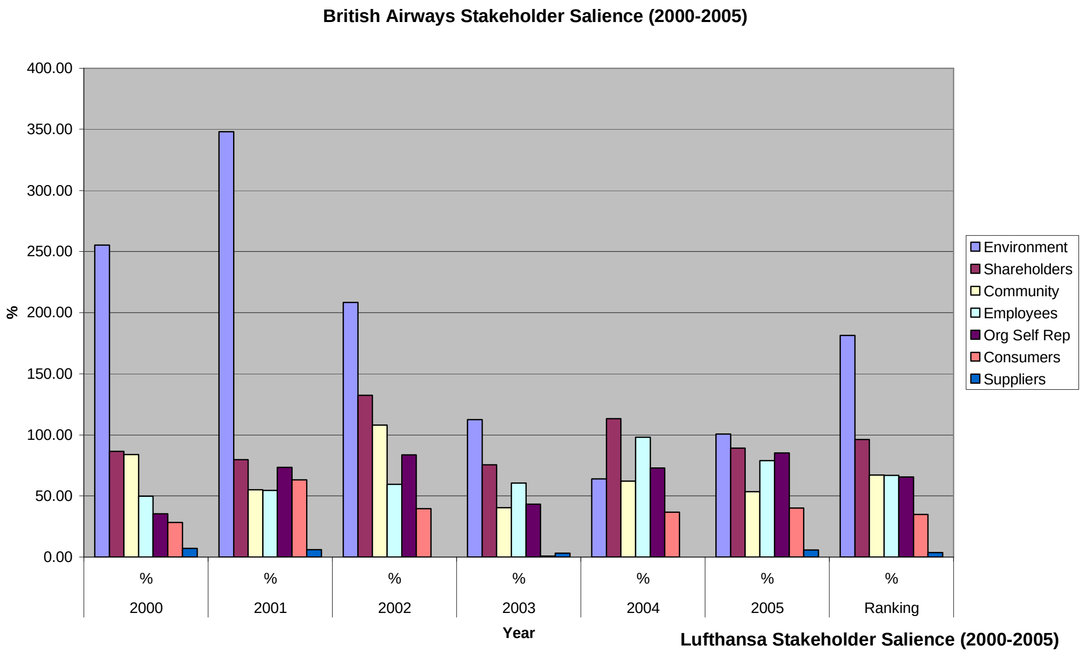
	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Shareholders	86.46	79.48	132.38	75.60	113.30	89.06	**96.05**
Community	83.91	55.18	108.15	40.24	62.08	53.38	**67.16**
Employees	49.84	54.54	59.56	60.48	98.18	78.95	**66.92**
Management	35.39	73.51	83.56	43.21	72.79	85.16	**65.60**
Consumers	28.42	63.15	39.77	0.83	36.59	39.94	**34.78**
Suppliers	7.14	6.13	0.00	3.33	0.00	5.74	**3.72**

Table 8: OVERALL (PHOTOS, GRAPHICS AND TEXTS) (Lufthansa)

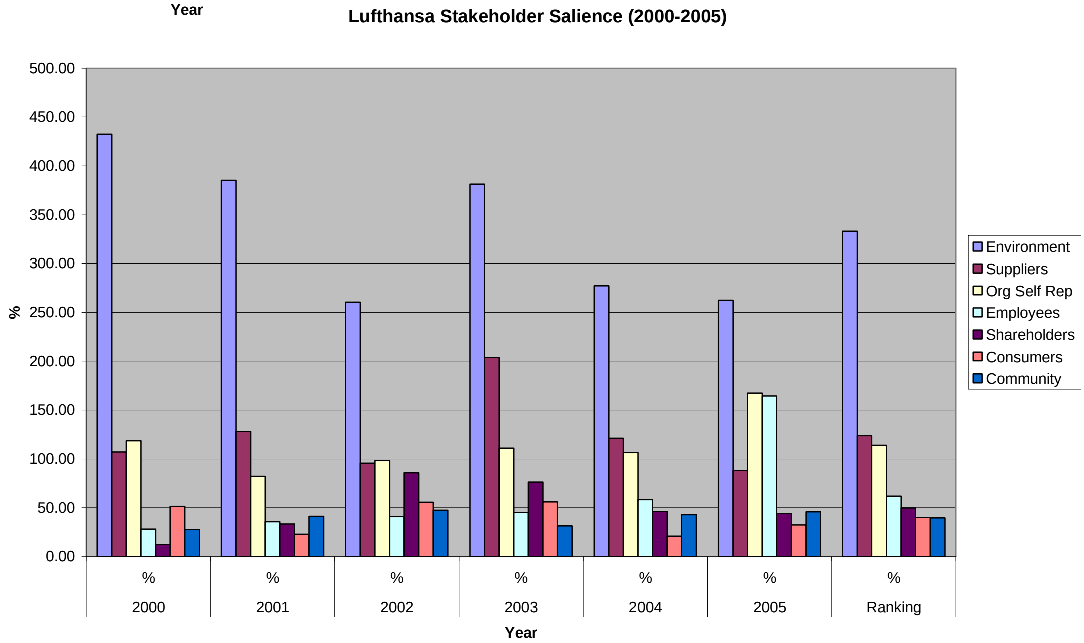
Lufthansa

	2000	2001	2002	2003	2004	2005	Ranking
	%	%	%	%	%	%	%
Environment	432.60	385.20	260.42	381.37	277.22	262.30	**333.2**
Suppliers	106.99	128.14	95.68	203.71	121.35	88.35	**124.0**
Management	118.54	82.09	98.19	111.14	106.23	167.27	**113.9**
Employees	28.14	35.80	41.09	45.11	58.19	164.37	**62.1**
Shareholders	12.50	33.33	85.71	76.47	46.15	44.19	**49.7**
Consumers	51.48	23.14	55.61	55.88	21.03	32.31	**39.9**
Community	27.93	41.30	47.58	31.49	42.96	46.00	**39.5**

Graph 1: British Airways



Graph 2: Lufthansa



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Centre for the Study of Globalisation and Regionalisation
University of Warwick
Coventry CV4 7AL, UK

Tel: +44 (0)24 7657 2533
Fax: +44 (0)24 7657 2548
Email: csgr@warwick.ac.uk
Web address: http://www.csgr.org