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## "CSR Disclosure And Corporate Reputation: An Empirical Analysis Of Best Reputations Performing Firms"


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## Introduction

This work arises from the curiosity to investigate if CSR disclosure can be used as a tool for managing a company's reputation. To this aim, this work proposes an empirical analysis aimed at testing in particular, if the quality of disclosure can influence a company perceived reputation. In order to that, the first part of this thesis proses a literary review of the concept of CRS, corporate reputation and CSR reporting practices, whereas the second part proposes a framework for assessing the quality of disclosure in order to be used as the independent variable in the multivariate analysis.

Nowadays, companies are well aware of their impact on society, and are conscious that, in order to have successful businesses, they need a healthy society. In this respect, CSR practices represent the actions that companies sustain in order to show to the public their commitment to socio and environmental issues. However, it seems that firm's CRS engagement is prompted primarily by the need to satisfy surrounding society's requirements, instead of being driven by the desire to live in a better world.

Since society expect business to be socially responsible, engaging in CSR activities is generally positively accepted by the public opinion and is for that reason that companies tend to conceive CSR a fundamental practice through which protect their reputation. In this respect, one way that companies use to communicate their CSR engagement to their stakeholders is represented by CSR disclosure. As we will see, companies can use CSR disclosure as a communication tool through which construct their desired self-imagine, in order to be perceived as good corporate citizens.

Is from this context that the research idea for this work emerges. Starting from the concept of CSR, chapter one introduces some socio-institutional theories that are useful in understanding the context from which CSR has emerged. In particular, following Chen and Roberts (2010), are presented legitimacy theory, institutional theory, resource dependence theory and stakeholder theory. From that theoretical framework, the attention then moves on the relationship between CRS performance and corporate performance, with particular attention on the interaction between business and society. In a second moment, the concept of corporate reputation is introduced, explained and connected to CSR practices.

Chapter two is entirely devoted to CSR reporting practices. Here it is highlighted how CSR reporting has developed from being a niche practice to become a global trend (KPMG, 2015). More and more companies uses CSR reports in order to disclose their socio-environmental efforts, and most of these companies follow the GRI reporting guidelines. Since literature provides an open debate on why companies decide to adhere to such guidelines, they are presented and analysed in details. In the second part of the chapter, CSR reporting practices are analysed through the lens of reputation. At last, the concept of report quality is introduced, with particular attention to stressing the different schools of thought upon the subject.

Chapter three is devote to translate into practice the previous criticalities presented. In order to do that a framework for evaluating disclosure quality is constructed. Such framework aims to capture the different dimensions composing the quality of disclosure, following such literary works (Beretta and Bozzolan, 2004; Michelon et al , 2015) who conceive the quality of disclosure as something more than mere quantity of information. This work identifies four dimensions of the quality of disclosure, namely quantity, breadth, accuracy and managerial orientation. Such framework is the result of a content analysis process that is accurately presented and explained in the first part of the chapter.

At last, chapter four present the results of the multivariate analysis. The result found seems to confirm that quality of disclosure do influences how a company is perceived from a reputational perspective. Moreover, this works proposes some interesting insights on the relationship between perceive reputation and company's socio-environmental performance.

To sum, this works aims at analysing the relationship between CSR disclosure and corporate reputation through the creation of a framework for assessing the quality of disclosure and through the evidences obtained from the multivariate models proposed.

## 1. Corporate Social Responsibility and Corporate Reputation

The aim of this chapter is to illustrate the concept of Corporate Social Responsibility and Corporate Reputation. Starting from the assumption that business and society are deeply interconnected, this chapter propose some of the major socio-institutional theories (legitimacy theory, institutional theory, resource dependence theory and stakeholder theory) in order to better understand the theoretical context in which CSR emerged. Later, the relationship between CRS performance and corporate performance is addressed together with the theoretical framework for managing CSR activities proposed by Porter and Kramer (2006). At last, the concept of Corporate Reputation is illustrate and stressed from a CSR perspective.

### 1.1 Defining Corporate Social Responsibility

In our dynamic and interconnected society, everything that surrounds us influences our life and in turn, we shape with our actions and choices the society. The same principle can be applied to the business society. Companies today are much more aware of their impact on society: they are conscious of the fact that they can influence the different components of society, and in the same way, they know that they are influenced back by society. The consciousness that business has reached throughout these decades helped developing the concept of Corporate Social Responsibility (CSR). The first writings upon this subject date back to the 60s, with the works of Keith Davis (Carroll, 1999). The funding assumption upon which CSR is based is that one's action, in this case a company, can have different impacts on others, namely the society (Davis, 1967). This is not a new concept obviously, but before the 60s, it has never been applied to economic institutions and to the social system as a whole. In this perspective, CSR requires managers to considers their act in terms of the whole social system, broadening their view not only on their business, but on which are the effects that will be caused by their decisions.

In order to better comprehend the concept of CSR, is it important to understand the deep connection between business and society. The fundamental starting point, that probably can seems some kind of cliché, is that business needs society and vice-versa. In fact, successful corporations need healthy societies: any business that exploits the society in which it operates without caring about it, will build its successes over unstable ground and will eventually discover that this success is only illusory (Porter and Kramer, 2006). This because if a company do cares about education and health sustainability, as well as equal opportunities, society will then provide it with a productive workforce; in the same manner an efficient utilization of natural resources will make firms more productive (Porter and Kramer, 2006). Moreover, a healthy society "creates expanding demand for business, as more human needs are met and aspirations grow" (Porter and Kramer, 2006 p. 83). In the same way, society needs healthy businesses. In fact "no social program can rival the business sector when it comes to creating the jobs, wealth and innovation that improve standards of living and social conditions over time" (Porter and Kramer, 2006 p. 83). One of the purpose of CRS is to try to focus and exploit, in a profitable manner, the point of intersection between business and society. CSR should be guided by the principle of "shared value", meaning that the benefit produced to society is at the same time also valuable to the business (Porter and Kramer, 2006). In these terms, companies should identify which are the social problems that they can be able to address and from which to gain the greatest competitive benefits (Porter and Kramer, 2006).

Since the first works about CSR (Bowen, 1953; Davis, 1960; Davis and Blomstrom, 1966; all cited in Carroll, 1999), there have always been a strong debate concerning whether companies can really beneficiate by engaging in CSR activities. One of the most famous arguments against the engagement in CSR practices is the one presented by Milton Friedman (1962). Friedman, states that "few trend could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible" (Friedman, 1962 cited in Moir, 2001 p. 17). Another argument against CSR relates to the cost of social involvement, meaning that too many times social goals did not pay back the company in economic terms (Davis, 1973). Following this negative perception of CSR, Davis (1973) further sustains that managers, having a specific economic background, lack the capabilities to address in the proper way social oriented decisions. Hayek (1969), reclaiming in part Friedman's arguments, sustains that involvement in social goals is like applying a solvent that dilutes business's emphasis on economic productivity. It is worth to be noted that those arguments have been presented decades ago and today, only a few of them still have some kind of relevance.

One of the prevailing argument in favour of CRS is that of the long-run self-interest of business (Davis, 1973). This concept starts from the assumption that society expects business to sustain different social activities, and only by doing that it can be constructed a better environment for the business itself. Another example of favourable argument for CSR engagement is the one sustained by Carrol and Buchholtz (2009). They state that prevention is better than curing, meaning that if business delays social problems today, it will end up occupied to address this problem almost constantly, depriving the business of its primary goal. Finally, a business should consider how the public perceives its engagement in CSR. From a public perspective, the concept of CSR is positively accepted (Carrol and Shabana, 2010). In fact, the public believes that in addition to pursuit profits, business should also be responsible toward the environment, its workers, its communities and its stakeholder, even if this means to sacrifice some profits (Bernstein, 2000).

From these different views, it distinctly emerges that the reasons that might push companies to engage in CSR vary according to different factors. To understand better this issue, it is useful to analyse the context in which CSR has been implemented, starting by some of the major socio-institutional theories.

### 1.1.2 The funding theories of Corporate Social Responsibility

Finding a single definition to express the concept of CSR is quite difficult and probably not even desirable (Wood, 1991). Through the decades, the literature provided us with different attempts to define CSR. One recent study has found 37 definitions of CSR highlighting the fact that the real confusion is on how CSR is constructed in a specific context, and consequently it is not possible to have a single definition of the subject (Dahlsrud, 2008). In this perspective, in order to understand better the context in which CSR has born, it is useful to analyse some socio-institutional theories that, applied to the CSR context provides useful insight to understand better the plurality of concepts that articulate corporate responsibility.

Legitimacy and stakeholder theory are considered two fundamental and influencing theories in the domain of corporate social responsibility (Chen and Roberts, 2010). Gray *et al.* (1995) argues that treating this two theories as two separate concepts is not correct, because they are two interconnected theories who differs in their level of perception. More clearly, both legitimacy and stakeholder theory describes social interactions, but they have a different approach in order to describe the decomposition of such social phenomena (Chen and Roberts, 2010). However, the notion of legitimacy results not to be relevant only to stakeholder theory, but also to other organizational perspectives, such as institutional and resource dependence theory (Gray *et al.*, 1996 cited in Chen and Roberts, 2010). Legitimacy theory, institutional theory, resource dependence theory and stakeholder theory constitute a useful theoretical framework in order to understand better the concept of corporate responsibility and more specifically social and environmental accounting (Chen and Roberts, 2010).

1. ***Legitimacy theory*** (Suchman, 1995) – It focuses on understanding the congruence between organization's and society's values systems, and on understanding if organizations' objective is to meet what society expect from them (Chen and Roberts, 2010). However, legitimacy theory do not provide an explanation on how such congruence should be achieved or which types of activities should be implemented (Chen and Roberts, 2010). Legitimacy is defined by Suchman (1995) as "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (p. 574). However, Lindblom (1994) sustains that it is fundamental to distinguish between legitimacy and legitimation. Legitimacy is the status reached, whereas legitimation is the process to be followed in order to obtain the status, since Lindblom (1994 p. 2) defines legitimacy as "a condition or status which exists when an entity's values system is congruent with the value system of the larger social system of which the entity is part. When a disparity, actual or potential, exist between the two value systems, there is a threat to the entity's legitimacy". Companies are considered as legitimate if they sustain "socially acceptable goals in a socially acceptable manner" (Epstein and Votaw, 1978 cited in Chen and Roberts, 2010 p. 654). In these terms, economic or legal achievements alone does not necessarily implies that a company is considered as legitimate (Lindblom, 1994; Deegan, 2002 cited in Chen and Roberts, 2010).

2. ***Institutional theory*** (DiMaggio and Powell, 1983) – Similar to legitimacy theory, it concentrates more on the relationship between the organization and the environment, specifically, on how organization can maintain their stability and how they can survive (Chen and Roberts, 2010). Differently from legitimacy theory, institutional theory provides companies with suggestions on how to gain stability and survival by stressing that those can be obtained by incorporating institutionalized norms and rules (Chen and Roberts, 2010).

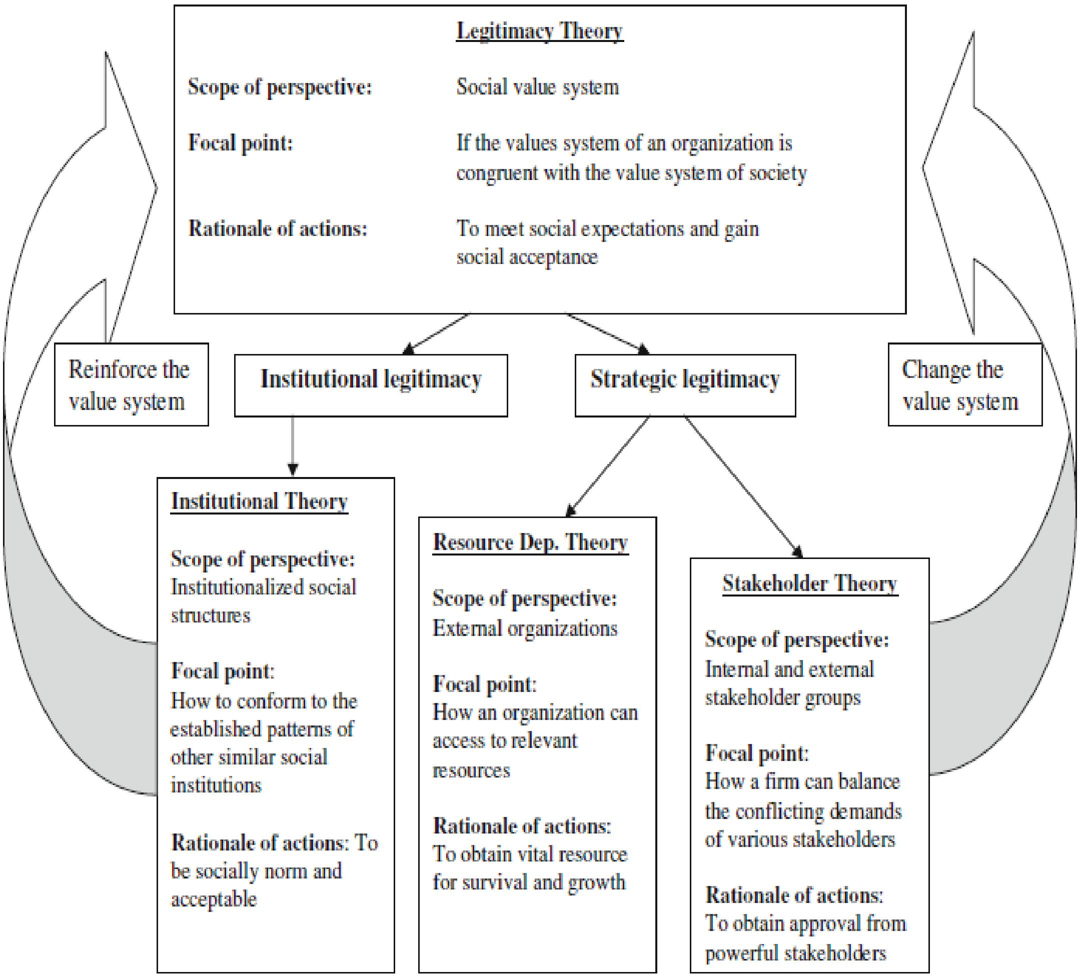
3. ***Resource dependence theory*** (Pfeffer and Salanick, 1978, 2003 cited in Chen and Roberts, 2010) – As well as institutional theory, resource dependence theory focuses on the relationship between the organization and the environment (Chen and Roberts, 2010). However, resource dependence theory tries to explain the effects that environmental constrains exercise on organizations (Chen and Roberts, 2010). Since firms heavily rely on their environment in order to exist, the core of such theory is

understanding how companies "gain access to vital resources for survival and growth" (Chen and Roberts, 2010 p. 653). Organizations rely on one another's support and their surrounding environment should be conceived as a totality of dynamic interactions between different organizations pursuing their owns goals and interests (Cheng and Roberts, 2010).

4. ***Stakeholder theory*** (Freeman, 1984 cited in Chen and Roberts, 2010) – Different from the other two theories concerned in the relationship between the organization and its environment, stakeholder theory specifically focus on the interactions between the company and its "environment" of stakeholders (Chen and Roberts, 2010). Stakeholders are defined as "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984 cited in Moir, 2001). Usually, stakeholders are divided into two main categories: primary and secondary stakeholders (Moir, 2001). Primary stakeholders are the ones "without whose continuing participation the corporation cannot survive as a going concerns" (Clarkson, 1995 cited in Moir 2001 p. 19), such as shareholders, investors, employees, customers, suppliers and so on. Secondary stakeholders are defined as "those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival" (Clarkson, 1995 cited in Moir 2001 p. 19).

From the definitions of the abovementioned theories, it emerges that all of them tries to explain the complex relationship between the organizational and social value systems and want to understand how companies are able to survive within a changing society (Chen and Roberts, 2010). They differs in the levels of perspective to be assumed: from the "(highest level of) societal value system to (the lowest level of) stakeholder expectation" (Chen and Roberts, 2010 p. 653). Figure 1.1.2.1 illustrate the relations among those theories.

*Figure 1.1.2.1 – The relationship between the thoeries*




*Source: Chen and Roberts (2010 p. 653)*

The common denominator to each one of these theories is represented by legitimacy theory. For this reason, it is worth to investigate the relationship of legitimacy theory with each one of the other theories.

### 1.1.2.1 The relationship among CSR funding theories

From the previous definition of legitimacy, two systems can be identified: the social system and the organizational system, as companies tend to "reconcile their system with the social system through the process of legitimation" (Chen and Roberts, 2010 p. 654). Suchman

(1995) and others, states that there are two types of legitimacy: institutional legitimacy and organizational legitimacy. The former, from a societal perspective, is used to identify which activities and institutional structures has gained social acceptance; the latter, tries to identify which are the different strategies that companies can implement in order to achieve legitimacy (Chen and Roberts, 2010). In this perspective, DiMaggio and Powell (1983) conclude that the increased homogeneity characterizing organizational structures, is not necessarily caused by the desire to increase efficiency, but it is rather caused by the desire to meet social expectations. Moreover, they identify three types of processes that can push a company to re-arrange its structure in order to comply to formal institution patterns: 1) *Coercive process* that derives from governmental regulations, 2) *Mimetic process* that is implemented when companies adopt the system employed by the existing institution in their field and 3) *Normative process* that occurs when conventional practices are followed. In order to be perceived as legitimate, an organization should follow the norms and principles dictated by the social system (Chen and Roberts, 2010). From this perspective Suchman (1995, p. 576) states that "legitimacy and institutionalization are virtually synonymous. Both phenomena grants rights to organizations primarily by making them seem natural and meaningful". From a CSR perspective, institutional theory can contributes on different levels: "it allows for a more accurate grasp of what CSR in a specific institutional setting means…[and]…might provide some insights into pressing normative question: which institutions, historically and comparatively, have led to the most desirable, efficient and stable ways of organizing business activities" (Brammer *et al*., 2012).

Suchman (1995) views "legitimacy as an operational resource that organizations extract, often competitively, from their cultural environments and that they employ in pursuit of their goals" (p. 576). Such assertion seems consistent with the concept of resource dependence theory; in fact, legitimacy theory highlight the need to protect organization's legitimacy from any threats, whereas resource dependence theory address the effect of legitimacy (Chen and Roberts, 2010). In this perspective, legitimacy is conceived simply as any other firm's resource obtained from the external environment (Suchman, 1995).

From a stakeholder's perspective, legitimacy is subjectively judged by the different groups of stakeholders who grant legitimization to company's actions and objectives (Chen and Roberts, 2010). Corporate management should decide which group of stakeholders' claims has more importance over the other. In order to do that, management can consider two different selection criteria: stakeholder's legitimacy (the extent to which a group decide to make its claims based on justifiable rights) and stakeholder's power (Carroll, 1991). Of the same viewpoint are Mitchell *et al.* (1997) that improve the stakeholders' selection process by taking into consideration another attribute: urgency. This dimension captures the dynamics of stakeholders-management interactions and exist in two distinct cases: when stakeholder's claims are sensitive to time, and when claims are of relevant importance to stakeholders (Mitchell *et al.*, 1997). These three variables are interconnected and dynamic: in fact "power gains authority through legitimacy, and it gains exercise through urgency…[…]…legitimacy gains rights through power and voice through urgency...[…]…in combination with legitimacy, urgency promotes access to decision-making channels, and in combination with power it encourages one-side stakeholder action" (Mitchell *et al.*, 1997). In this perspective, Suchman (1995) identifies three conceptions of legitimacy: 1) *pragmatic legitimacy* (based on the interests of the some stakeholders' audience), 2) *moral legitimacy* (based upon the evaluation of what is right or wrong from stakeholders' point of view) and 3) *cognitive legitimacy* (not based on interest or evaluation).

Giving the complex nature of the concept of legitimacy, Lindblom (1994) sustains that if a company believes that its legitimacy can in some way be threatened, the company can try to manipulate those who grant it legitimacy. Such perspective can explain, in a certain sense, why companies voluntary decide to undertake social activities (Cheng and Roberts, 2010). All the theories previously described show a common interest: investigate how companies survive and grow in a societal system that is complex and constantly changing. In particular, they emphasise the fact that financial performance and efficiency alone cannot be sufficient for companies to survive (Chen and Roberts, 2010).

Read in a CSR perspective, each one of these theories can be seen as an explanation for engaging in CSR activities, where the common factor is to gain legitimacy. In fact, as proposed by Chen and Roberts (2010), legitimacy theory is more appropriate for understanding or explaining how  company manages its public image; institutional theory is more appropriate for investigate specific corporation structure common to other organizations; resource dependence theory and stakeholder theory can be useful in understanding the relations between two or more organizational groups. Table 1.1.2.1.1 show how this theoretical framework can be applied to social and environmental studies.

*Table 1.1.2.1.1. – Applicable theoretical framework to social and environmental studies*

| Theory | Study Focus | Example |
|---|---|---|
| **Legitimacy Theory** | How firms manage their image when social expectation is assumed and the targeted audience is not explicitly named | Voluntary social and environmental disclosure |
| **Institutional Theory** | The adoption of a specific corporation structure, system, program or practice that is commonly implemented by similar organizations | Employer matching program for employee charitable giving |
| **Resource Dependence Theory** | The dynamic interactions between two competing or complementary organizations | Conflicting actions between environmentally indifferent firms and environmental protection groups, or close interactions between non-profit organization and the public relations arm of corporations |
| **Stakeholder Theory** | Unexpected social or environmental activities undertaken by corporations | Voluntary participation in activities benefiting society of the natural environment without explicit self promotion or publicity |

*Source: Chen and Roberts (2010 p. 662).*

## 1.2 Building the business case for CSR

As illustrated by the theories previously analysed, companies can decide to engage in CSR activities for different reasons. When one think about the evolution of CSR, a business rationale for justifying company's engagement in such activities has always been searched, with a constant premise in mind: demonstrating that, by engaging in CSR, companies would enhance their societal environment with a future long-term reward (Carrol and Shabana, 2010). In fact, as time went by, the question about the real profitability of CRS engagement became more and more pressing and companies started to ask themselves if CSR was paying its own way (Carrol and Shabana, 2010).

The search for a business case for engagement in CSR activities is not something new and nowadays we refer to "business case" for CSR by meaning "the business justification and rationale, that is the specific benefits to businesses in an economic and financial sense that would flow from CSR activities and initiatives" (Carrol and Shabana, 2010 p. 92). The impact, in economic terms, of CRS activities is obviously a fundamental question that CEOs' pose to themselves since they have the responsibility to justify their choice of engaging in CRS practices (Carrol and Shabana, 2010). However, other groups care as well. Shareholders are more and more concerned about company's financial performance and wants to be reassured that CSR engagement do not imply a loss of management's focus on financial priorities whereas consumers are interested in a company's CSR policy since they want to purchase products that reflect their values (Carrol and Shabana, 2010).

In this perspective, it can be noted how the focus on CSR theories is shifted form an ethical orientation toward a more profitable one (Carrol and Shabana, 2010). Vogel (2005) suggest that this shift toward a more "economic" interpretation of CSR that analyses the relationship between CSR activities and company's financial performance, characterises the new world of CSR. For all these reasons, is it appropriate to give space to a deeper focus on the relationship between CSR performance and corporate performance.

### 1.2.1 The relationship between CSR performance and corporate performance

Analysis of previous literary works (e.g. Ullman, 1985; Roman et al. 1999) report contrasting results about the relationship between CSR performance and corporate financial performance. In his work Ullman (1985), by examining 13 studies investing the relationship between social performance and economic performance, founds that 8 of them reported a positive association, 4 found no correlation and 1 reported a negative correlation. Margolis and Walsh (2003) present a review of 127 empirical studies about the relationship between CSR performance and corporate financial performance and they conclude that a "simple compilation of the findings suggest there is a positive association, and certainly very little evidence of negative association between a company's social performance and its financial performance" (p. 277). Cheng *et al*. (2014) explores whether a better social performance leads to better access to finance. They evaluate social performance using the three "pillars" proposed by Thomson Reuters ASSET4, namely environmental, social and governance, in order to explore the impact that such CSR components have individually on corporate financial performance. Moreover, they also suggest that better CSR performance is linked with better stakeholders' engagement and with a higher probability of CSR disclosure. They results confirms such expectations: empirical evidence shows that firms with better stakeholder engagement and better CSR disclosure do face lower capital constraints (where for capital constraints are intended "those market frictions that may prevent a frim form fulfilling desired investments" Cheng *et al*. 2014 p.1 ). As for what concerns social performance, their results shows that firms with better CSR performance face lower capital constraints. Cheng *et al*. (2014) further state that "markets participants are more willing to allocate scarce capital resources to firms with better CSR performance. Moreover, by disaggregating the CSR performance into its components, we are able to show at a more fine-graded level that both the social and environmental aspect of CSR activities reduces capital constraints" (p. 17).

In this perspective, Bird *et al*. (2007) highlight which are the main CSR activities valued by the market and investigate their impact on the value of the firm to its owners. For tracing CSR data, they used KLD Research & Analytics, Inc. (KLD) which provides social issues ratings over a range of different corporate activities that have an impact on stakeholders. They focused their analysis on five major activities: community, diversity, employee relations, environment and product. They major finding shows that:

- Environmental area, surprisingly, seems to punish companies with higher environmental performances. Although the market require companies to be environmental friendly, its seems that it is not supportive to companies that over-perform in such field
- Companies that are recognized as devoting significant resources (or scares resources) to different CSR activities will be rewarded (or penalized) in the market place. More specifically, it seems that there are reputational benefits (or costs) deriving from CSR activities and practices

Form the studies presented, following Carrol and Shabana (2010), it can be stated that, in order to better access the relationship between CSR performance and corporate financial performance, mediating variables and other contingencies should be taken into account. In this respect, in order to better manage CSR performance, companies can develop a detailed social agenda that "looks beyond community expectations to opportunities to achieve social and economic benefits simultaneously" (Carrol and Shabana, 2010 p. 94).

#### 1.2.1.2 Managing CSR performance

Porter and Kramer (2006) proposes a strategic frameworks that allows companies to identify which are the social issues that better fits with their specific business and allow them to evaluate if a specific cause can create shared value, meaning that such cause is beneficial both to the frim and to the society. They identify three social issues that are of particular relevance for a company:

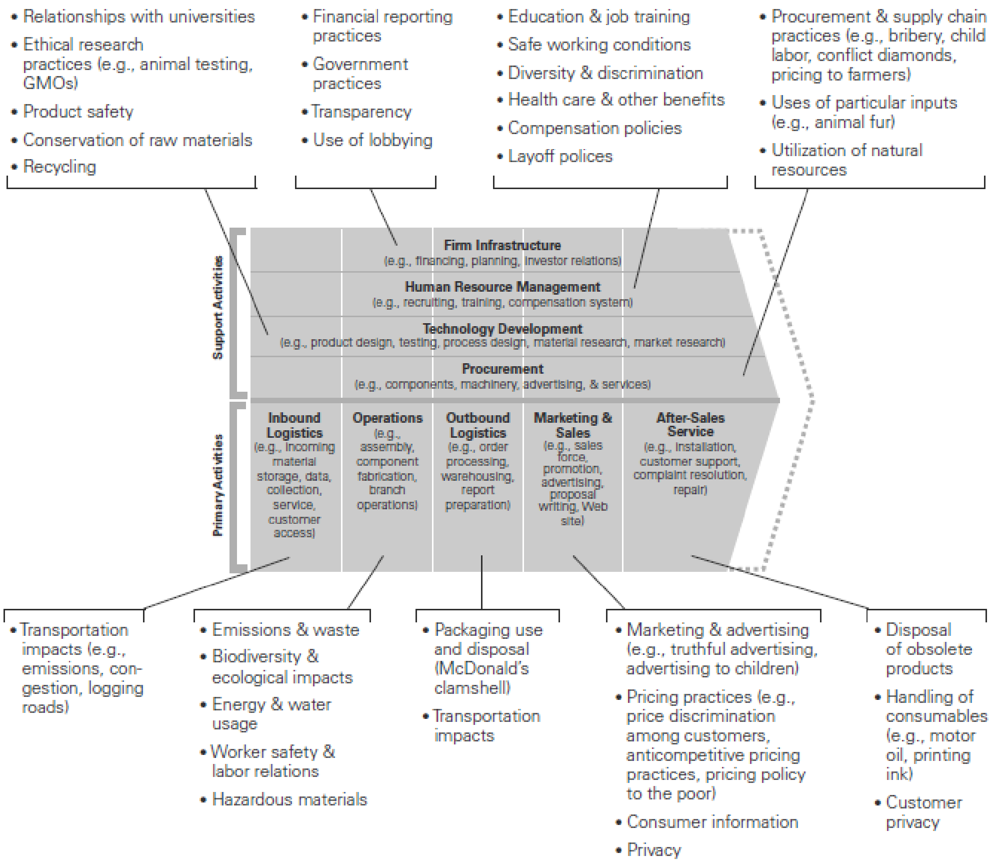
1. ***General social issues*** – are those issues that can be important from a society's point of view but that do not affect in a significant way company's activities
2. ***Value chain social impacts*** – are those impacts that are significantly affected by business activities
3. ***Social dimensions of competitive context*** – are those factors deriving from the external environment that affect a company's drivers of competitive advantage

From this subdivision is evident that business activities, and in particular CSR activities, are deeply connect to society. In this respect, Porter and Kramer (2006) identify two forms of "interdependence between a company and society" (p.5):

1. ***Inside-out linkages***, which are those operations through which a company influence society during the normal course of business.
2. ***Outside-in linkages***, which are those social condition that consequently affect or influence companies for better or for worst

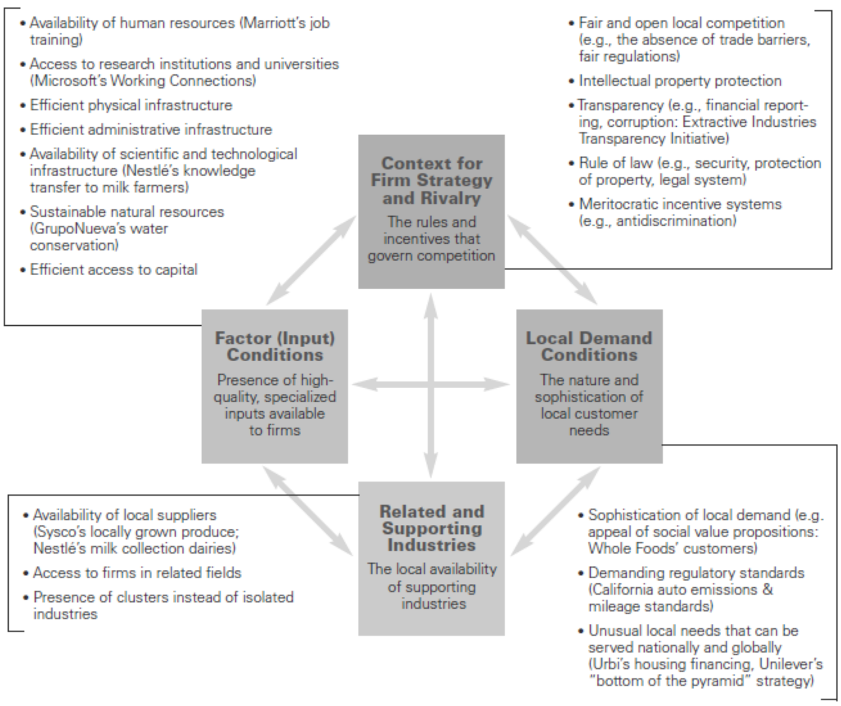
The most strategic CSR occurs when the social dimension is added to a company's value proposition, funding the social impact together with the overall company's strategy (Porter and Kramer, 2006). Figure 1.2.1.2.1 and figure 1.2.1.2.2 shows respectively the social impact of the value chain and the social influences on competitiveness.

*Figure 1.2.1.2.1 – Looking Inside-out*




*Source: Porter and Kramer (2006 p. 9)*

*Figure 1.2.1.2.2 – Looking Outside-in*




*Source: Porter and Kramer (2006 p. 9)*

## 1.3 The business case for CSR in practice

From the previous analysis, it has been showed how companies can manage their CSR practices, in order to create a shared value with society (Porter and Kramer, 2006). In this respect, when assessing the effects of CSR on firm performance, is important to always take into consideration mediating factors and situational circumstances (Carroll and Shabana, 2010).

Taking that reflections as a starting point, Kurucz et al. (2008 pp. 85-92), in line with Porter and Kramer (2006), identify four main categories of benefits for firms engaging in CSR activities: cost and risk reduction, gaining competitive advantage, win-win outcomes for business and society and developing reputation and legitimacy.

1. ***Cost and risk reduction*** - This category reports arguments sustaining that engaging in CSR activities will benefit companies by reducing cost and risk associated with their business (Carroll and Shabana, 2010). As sustained by different researchers (e.g. Berman *et al*., 1999; Dechant *et al*., 1994;), one way in which companies can achieve cost and risk reduction is by implementing CSR activities oriented toward environmental protection. In fact, as stated by Berman *et al.* (1999 p. 489) "being proactive on environmental issues can lower the costs of complying with present and future environmental regulations… [and]…enhance firm efficiencies and drive down operating costs". Another way that can be used in order to reducing risk and costs is to manage community relationship: constructing a favourable relationship with the community can result in a reduction of regulations imposed upon the firm as it will be perceived as a legitimate member of society (Carroll and Shabana, 2010). Another important factor to be take into consideration in this perspective is that of stakeholders' concerns. Avoiding decisions that could push stakeholders to go against firm's objectives is an effective way of reducing corporate risk (Bowie and Dunfee, 2002). Under a cost and risk reduction perspectives, CSR activities are seen as a way to fulfil stakeholders' demands and at the same time serving corporate interests, by engaging in some level of social and environmental performance (Kurucz *et al.,* 2008). Evidence supporting this argument is also found among executive managers, as showed by PricewaterhouseCooper survey in *Fortune* (2003), where 73% of participants affirmed that cost saving is one main reason why companies have become more socially responsible.

2. ***Gaining competitive advantage*** – This section justifies companies' engagement in CSR activities as a way to develop competitive advantage other from cost leadership strategy. Stakeholders' demands that were regarded as constraints in the cost and risk reduction perspective here are seen as opportunities (Kurucz *et al.,* 2008). By developing CSR

strategies that allow them to be unique, companies, can strengthen their competitive advantage and differentiate from competitors (Smith, 2003). In fact, by being able to construct a strong competitive advantage companies will be able to ameliorate also customers' relations, such as brand loyalty, as showed by Pivato *et al*. (2008). Similarly, social involvement can improve the amount of investment in the company, in fact, for many investors the presence of CSR initiatives is a fundamental prerogative in deciding whether to invest in a company or not (Smith, 2005). Obviously, these activities should be justified by economic rationale and be sustainable in order to increase shareholders returns (Buchholtz et al., 1999). In these terms, CSR initiatives became a fundamental variable in a company's strategy in order to differentiate from its competitors.

3. ***Win-win outcomes trough synergistic value*** – As stated by Carroll and Shabana (2010) "synergistic value creation arguments focus on exploiting opportunities that reconcile the differing stakeholder demands" (p. 100). The focus of this approach is on creating connections between stakeholders on their common interest in order to identify unseen opportunities for value creation (Kurucz *et al.,* 2008). In this perspective, following Porter and Kramer (2002) argument, corporate philanthropy can be used as a tool for strengthening company's competitive advantage and stakeholders needs. For example, investment in education will improve the quality of possible future human resources or investment in local communities companies improve local quality of life, resulting in more sophisticated local consumers (Porter and Kramer, 2002). The win-win perspective shows how CSR can be used in order to allow firms to implement their interests, and shareholder to satisfy their demands (Carroll and Shabana, 2010).

4. ***Developing reputation and legitimacy*** – This last rationale justifies the engagement in CSR activities as a way to maintain corporate legitimacy and reputation. Before going in detail with the explanation of this last "category", is important to emphasize the difference between corporate legitimacy and corporate reputation, as here they are treated as two separate concepts. In facts, despites some commonalities between the two, Deephouse and Carter (2005 p. 329), provides us with the elements for distinguish them: "legitimacy emphasizes the social acceptance resulting from adherence of social norms and expectations whereas reputation emphasizes comparison among organizations". From this perspective, companies "focus on value creation by leveraging gains in reputation and legitimacy made through aligning stakeholder interests" (Kurucz *et al.,* 2008 p. 90). An example of activities aimed at enhancing corporate reputation and legitimacy is that of cause marketing. Cause

marketing promotes product's features together with the social benefits it can provide (Smith and Alcron, 1991). Trough cause marketing companies can prove that their profitability orientation meets, at the same time, society and stakeholders needs. Another CSR activity that can be used as a legitimizing and reputational tool is that of corporate philanthropy (Carroll and Shabana, 2010). Chen *et al.* (2008) argues that some firm, if reports a negative environmental or social performance, may engage in philanthropic activities in order to protect their legitimacy. At last, another tool that is commonly associated to companies' willingness of enhancing corporate legitimacy and reputation, is that of corporate social disclosure (Carroll and Shabana, 2010). Through corporate social reporting companies voluntary disclosure information about their social, economic and environmental performance. Through social reporting companies can illustrate to external audience that their actions are consistent with social norms and so legitimate. [*CSR reporting practice in particular, will be specified in the second chapter of this work*]

This last argument is of particular interest as it probe the relationship between CSR and corporate reputation. In order to deepen this discussion, is important to define the concept of corporate reputation and the way in which it will be considered in this work. Moreover, as already introduced, an important variable in this equation will be represented by corporate social disclosure.

### 1.4 Defining corporate reputation and its relation with CRS activities

If we look up in the dictionary for "reputation", we will find the following definition: "the opinion that people have about what somebody/something is like, based on what has happened in the past" (Oxford Advanced Learner's Dictionary, 2010). Applying this definition as it is for defining corporate reputation is not properly correct. By following Fombrun and Van Riel (1997), we can use this definition as a starting point from which to analyse the different interpretations that can be given to reputation depending on which perspective it is decided to be applied.

1. ***Economic view*** – This view sees reputation as functional. This means that it generate different perceptions among companies' stakeholder and the general public about what the company is and does (Fombrun and Van Riel, 1997). From this perspective,

reputation is perceived as a signal that pushes the public to increase its confidence in firm's product and services; in fact, one way that companies have to signal their product's quality is by investing in reputation-building activities (Shapiro, 1983). This kind of reasoning can also be applied to the capital and labour markets, since reputation increase investor's confidence in the company (Fombrun and Van Riel, 1997).

2. ***Strategic view*** – From a strategic perspective, reputations are considered difficult to be replicated because they represent some unique features of a company that can be hardly replicated by competitors, and as such, they can constitute an important form of competitive advantage and differentiation strategy (Fombrun and Van Riel, 1997). Moreover, reputation is a corporate attribute that is perceived externally, and for this reason is not under firm's managers' direct control (Fombrun and Shanley, 1990). Empirical studies shows that reputation tends to be quite "sticky" for some firms, meaning that sometimes, despite negative information about the company, the public will be unlikely to change its perceptions, so reputation tends to be durable over time (Schultz, Mouritsen and Gabrielsen, 2001; Wartick, 1992). Strategists therefore perceive reputation has a valuable intangible asset and, like economists, focus on the competitive benefits that could be achieved through building a strong corporate reputation (Cramer and Ruelfi, 1994).

3. ***Organizational view*** – According to this view, company identity is what drives management's decisions (Meyer, 1982) and corporate reputation is "rooted in the sense-making experience of employees" (Fombrun and Van Riel, 1997 p.8). Company culture and identity shapes the firm's business practices and it is represented by the core activities that "produce shared interpretations among managers about how they should accommodate to external circumstances" (Albert and Whetten, 1985 cited in Fombrun and Van Riel, 1997 p. 8). According to some researches, such as the one presented in Dutton and Dukerich (1991), firms with a strong and defined corporate identity tend to devote more effort into activities that affect the perceptions of stakeholders. In general, we can say that reputation, from an organizational point of view, is built upon an attentive analysis of corporate actions and upon how those actions affect firm's key audiences.

4. ***Sociological view*** – No one of the previously described views seemed to take into consideration the socio-cognitive process that shapes company's reputation. From this

perspective, reputation is believe to be represented by an aggregate estimation of firm's prestige and by a representation of the social systems in which the firm operates (Shapiro, 1987; DiMaggio and Powell, 1983). To sociologist, reputation is an indicator of legitimacy: "it aggregates assessments of firm's performance relative to expectations and norms in an institutional field" (Fombrun and Van Riel, 1997 p. 9).

Each of the abovementioned literatures, suggest that the concept of corporate reputation derives both from internal and external factors influencing firms' operations and activities (Fombrun and Van Riel, 1997). Each one of this views, represent an interpretation of different audiences' perceptions of reputation that, taken together, represent the subjective essence of reputation (Fombrun and Rindova, 1996). From this sort of categorization, following Fombrun and Rindova (1996), Fombrun and Van Riel (1997 p. 10) propose an integrative view of reputation defined as follows:

"A corporate reputation is a collective representation of a firm's past actions and results that describes the firm's ability to deliver valued outcomes to multiple stakeholders. It gauges a firm's relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments".

It is quite clear that corporate reputation should be analysed in relation to the position that the business in question takes among its counterparts; in fact "for any two organizations, they will either have the same reputation or, more likely, one will have a better reputation than the other" (Deephouse and Carter, 2005 p. 331). The abovementioned definition of reputation emphasizes the "aggregate or summative nature of corporate reputation that reflect the perceptions of a host of individual stakeholders" (Brammer and Pavelin, 2006 p. 436). In the same way, different definitions of CSR emphasize that involvement in social issues is a voluntary choice often driven by the desire to satisfy stakeholders' expectations. Stakeholders, in fact, have different perceptions over firms' actions and outcomes and they are satisfied if the apparent behaviour of firms is congruent with what the public expects (Fombrun and Shanley, 1990). Corporate management, since some major groups of stakeholders are powerful enough to influence its decisions, tends to engage in CRS activities in order to encourage contributions from stakeholders (Brammer and Pavelin, 2006). In that perspective, CSR activities are intended as an instrument for enhancing corporate reputation as they are a way to satisfy both management's and stakeholders' expectations (Donaldson and Preston, 1995).

In their work, Brammer and Pavelin (2006) empirically demonstrate that different types of social performance have different impacts upon reputation and this impact are dependent from the types of industry in which the firms performs. Their results also demonstrate that different CSR activities have different influences over reputations, depending on what are stakeholders' expectations. For example, community involvement result in having a good impact upon corporate reputations, recommending that good community performance is appreciated by stakeholders almost in every type of industry (Brammer and Pavelin, 2006). Brammer and Millington (2005) are reaching the same conclusions by analysing the relationship between reputation and philanthropic contributions. Their analysis suggests that philanthropic contributions do have an effect on reputation: the more industries shows social externalities, the more philanthropic actions have effect on reputation perception. This suggest that sometimes companies can use this kind of activities as a way to protect corporate reputation from negative stakeholders' perceptions deriving from some irresponsible corporate social behaviour. These two studies show how CSR activities may be favourably embraced by the public opinion. Other common CRS initiatives are represented by the production of non-polluting products, attention to achieving equal opportunity employment, respecting no-discrimination among labour force and so on. From the arguments sustained in these two works it is even more evident that the last rationale for the engaging in CSR practices, namely "developing reputation and legitimacy" (Kurucz *et al.,* 2008) is already a consolidated practice among economic entities. In fact, one common tool used by companies to communicate with the public about their CSR strategies is that of CSR reporting. Since it has been showed that there is some evidence that proves that engaging in CSR practices can actually be a way to manage corporate reputation, we now want to investigate if CSR reporting can be used as a specific communication tool aimed at shaping perceived reputation.

## 2. Corporate Social Responsibility Disclosure

This chapter will describe at first the trends characterizing the increasing adoption of CSR disclosure practices and which are the prevailing reasons that drives companies' engagement in CSR reporting, with a particular focus on reputation. Attention will be then devote to the world's most widely used standards on sustainability reporting and disclosure: the GRI framework. At last, the concept of disclosure quality will be presented together with the introduction of the purpose of this work.

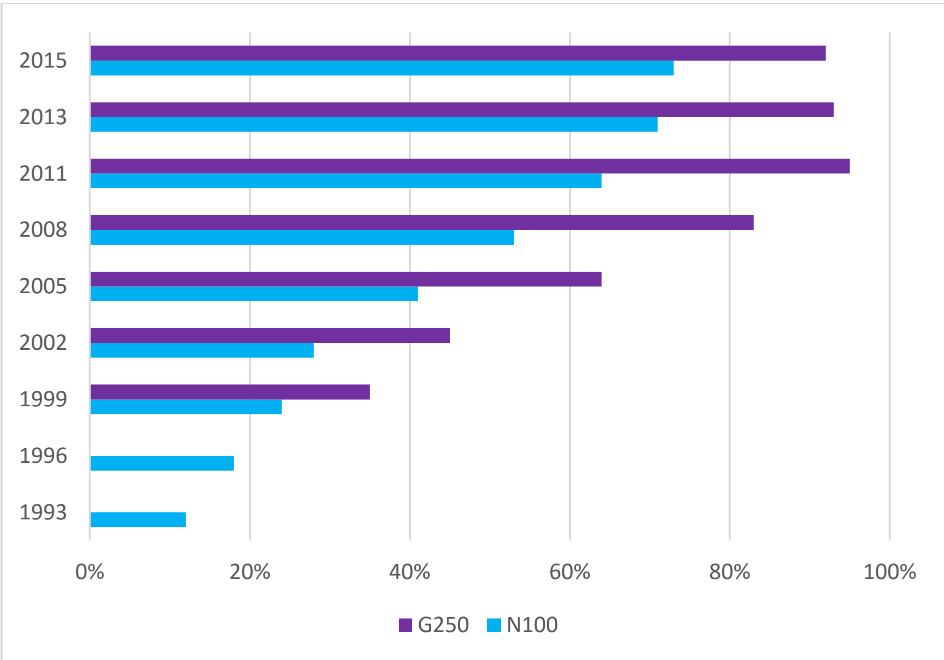
### 2.1 CSR disclosure: from a niche practice to a global trend

Throughout the last century, companies and public opinion have developed an increasing interest in CSR activities, which as lead to an increased attention towards corporate social responsibility reporting as well. The first CSR reporting practices can be dated back in the late 60s and early 70s where the firm's social involvement was disclosed in the so defined "corporate social accounting". The presence of the term "accounting" often led to misinterpretations and disputes because commonly associated to a kind of completely quantifiable asset, whereas for what concern social impact, this is not always the case (Antal *et. al*, 2002). In order to avoid such problems, a new more flexible term was introduced, namely "Social reporting" or "Sustainability reporting".

The basic idea upon which CSR reporting was founded is that of communicate how and to what extent a company perceives and satisfies its responsibilities toward society (Antal *et. al*, 2002). Starting from this assumption is quite straightforward to imagine that the main actors engaging in CSR reporting will be companies themselves as well as other external groups such as investments firms, or other organizations. In the same way, the target audience of the report can be identified both within and outside the company. Deciding to disclose is important for internal business purpose since studies have showed that companies' decision of disclosing positively influences their internal self-regulating behaviour (Brockhoff, 1975 cited in Antal *et. al*, 2002). Obviously, reducing CSR strategy and results of a company in a pure accounting classification is quite impossible and too reducing too. In fact, after the first report produced, it soon became clear that applying the traditional cost accounting perspective was not appropriate since the reports produced were not able to capture the social objective that should have been addressed (Antal *et. al*, 2002). For this reason, a new reporting approach was conceived, that of "goal accounting and reporting": the objective of this model was to ensure that all the company's social objectives were fulfilled and documented (Dierkes, 1979 cited in Antal *et. al*, 2002). This model avoided companies to strictly conform to accounting routines, allowing them to starting developing more appropriate social reports that were the funding ground for the ones now in use (Antal *et. al*, 2002). From the analysis of the early practices of CSR reports, it can be noted that it is fundamental to take into consideration multidimensional indicators of performance, in order to produce a good document assessing the business' impact on society and natural environment (Antal *et. al*, 2002).

In recent years, the amount of companies that decide to disclose about their sustainability practices is increasing day by day. In fact, as reported in the survey conducted by KPMG (2015), corporate responsibility reporting can by now be considered a standard global practice at least among the biggest business players. KPMG (2015) reports that 73% of America's 100 largest firms engages in CSR reporting activities (an increase of 2% from 2013) and the number grows to 92% if we consider the Global 250 largest firms (see figure 2.1.1).

*Figure 2.1.1 – CSR Reporting Rates*

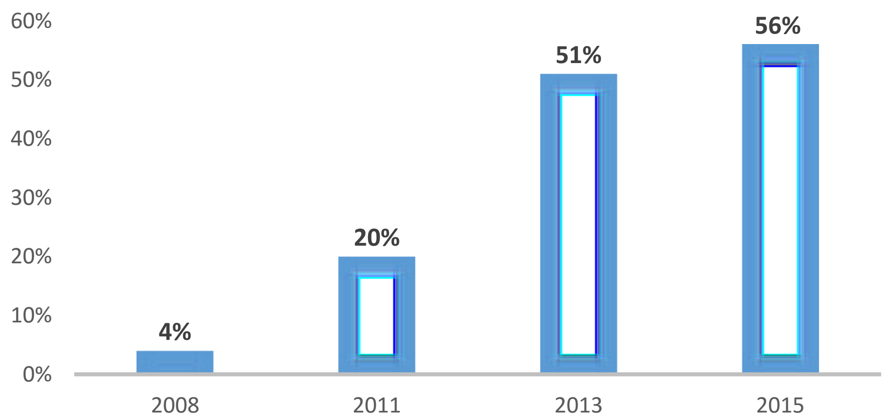



*Base: N100/G250 companies*

*Source: KPMG Survey of corporate responsibility reporting 2015*

This increase in the average number of companies who decide to publish a CSR report is mainly due to the presence of reporting's regulation requirement in different countries. This is proved again by KPMG survey (2015, p.32) which reports that "the greatest increase in country CSR reporting rates since 2013 has been in India (+27% percentage points), Norway (+17), South Korea (+25) and Taiwan (+21)". In three out of four of these countries, the increase in reporting practices was due to mandatory reporting requirements. For example, in Norway public limited and listed companies must explain how they integrate CSR into their business strategy; Taiwan stock exchange required largest chemical, food finance and insurance companies to publish CSR reports and Indian government provided incentives to incentivize companies to report on CSR practices. Such high rates of CSR reporting (more than 90% in some countries) will be quite impossible to be reached if not driven by some legislative driver (KPMG, 2015). Therefore, is now an established global trend finding CSR information in not only the stand-alone reports but also in annual reports in which a section is entirely devoted to sustainability. Evidence of such a behaviour is provided by KPMG (2015), that reports an increase of 5% from 2013 to 2015 in the rate of inclusion in annual report of sustainability information (see figure 2.1.2). This trend in KPMG's opinion is mainly driven by two factors: firstly, CSR information in financial annual reports are useful for shareholders when assessing company's risks and opportunities and secondly, stock exchanges requires for such disclosure in annual reports.

*Figure 2.1.2 – Rate of CSR information included in annual reports*




*Base: 4500 N100 companies*

*Source: KPMG Survey of corporate responsibility reporting 2015*

However, many firms decide to voluntary disclose their social information, without any type of legislative pressure or mandatory reporting requirements. This implies that the reasons behind a company's decision of engaging in CSR disclosure are far more articulated that a simple governmental imposition.

## 2.2 What drives CSR disclosure

It is commonly recognized by now that a firm disclosure policy can be a powerful and strategic tool that will provide economic benefits if managed in the proper way (Blacconiere and Patten, 1994; Botosan, 1997). Gray *et al*. (1995) provide a literature review about firm's social and environmental disclosure by categorising theoretical contributions into three groups:

1. ***Decision-usefulness studies*** – According to this group of studies, corporate disclosure is used as a tool aimed at reducing information asymmetries between the firm and its external agents (Gray *et al*., 1995). Empirical works who follows this view attempt to evaluate the impact that disclosure can have on stock price, but with general inconclusive results (e.g. Shane and Spicer, 1983).
2. ***Economic theory studies*** – This approach considers social disclosure practices as "pre-emptive steps to mitigate adverse regulatory or legislative pressure in the future" (Brammer and Pavelin, 2004, p. 86). Manager are encouraged to make such kind of disclosures because if they fail to do so this can negatively impact on their future investment opportunities (Shane and Spicer, 1983).
3. ***Socio-political studies*** – By embracing stakeholder theory, this last category describes social disclosure as a tool for impact upon social and political stakeholders' perceptions (Brammer and Pavelin, 2004).

The common denominator to these three different groups of theoretic contributions is that social disclosure is considered as a way to manage the relationship that the companies have with their stakeholders' groups. In particular, from a stakeholder theory perspective, CSR disclosure is viewed as the result of an external pressure exercised from the surrounding environment influencing firm's behaviour (Brammer and Pavelin, 2004). For these reason, identifying the events that push companies to disclose more than it is required is became a relevant issue, as a firm can incur in some severe costs if it is perceived not to be committed to environmental and social issues (Cormier and Magnan, 1999). The importance of these costs and the ability to face them will depend on the firm's financial condition (Cormier and Magnan, 1999). In fact, disclosure implies that new funds will be required, meaning that cash flows will be diverted from other operation. If a firm is not in good financial health, stakeholders and investors sometimes can negatively perceive engaging in CSR disclosure (Cormier and Magnan, 1999). However, companies sometimes utilize CRS disclosure as a legitimizing tool in order to justify their status to shareholders' eyes. (Mahoney *et al.*, 2012). On the contrary, if a firm is in good financial condition, deciding to voluntary undertake a "costly" disclosure strategy may be beneficial because, as some prior researches show, credible corporate disclosure is value-enhancing (Cormier and Magnan, 1999).

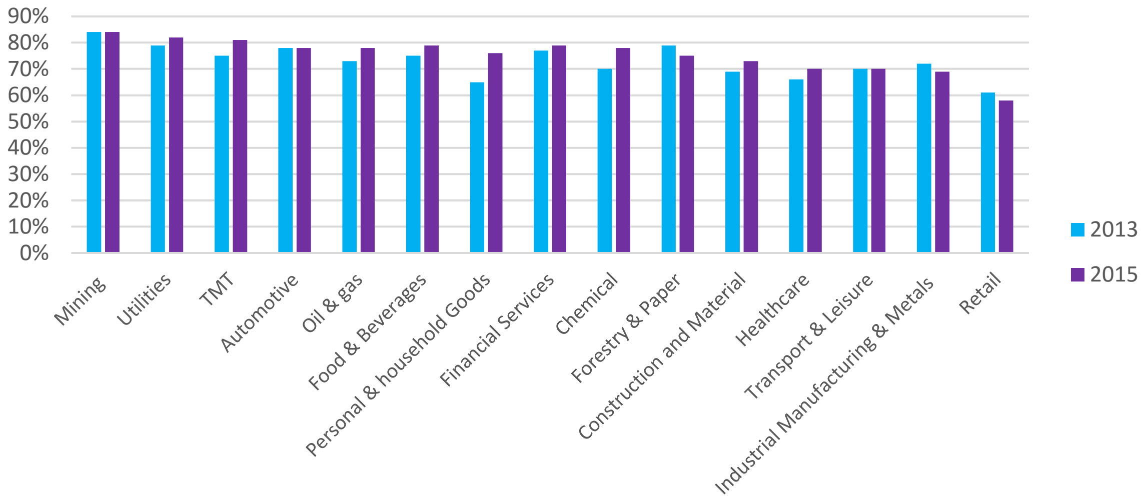
Companies' engagement in social disclosure can be considered as a mean by which to "demonstrate that [companies] actions are legitimate and that [they have] behaved as good corporate citizens" (Hooghiemstra, 2000, p. 56). In fact, being perceived as a good corporate citizen by your stakeholders leads to some advantages such as preferential investment opportunities (Sen *et al*., 2006), access to capital at lower costs (Orlitzky, 2008) and finding easier to attract and retain employees (Greening and Turban, 2000). In their work, Mahoney *et al*. (2012), try to analyse whether companies "issues stand-alone CSR reports as a substantive signal of concern for society and the environment, or alternatively, whether stand-alone CSR reports are issued in an attempt to legitimize firms' concerns for social and environmental issues"( Mahoney *et al.* 2012, p. 351). In this respect, the different theories that analyse the relationship between CSR disclosure and CSR performance can be divided in two theoretical perspectives: voluntary disclosure theory to which signalling theory belongs, and socio-political perspective to which greenwashing belongs (Mahoney *et al.*, 2012). These two different approaches provide different explanations for CSR disclosure engagement.

According to signalling theory, companies use stand-alone reports as a tool for signalling their superior commitment to CRS (Brammer and Pavelin, 2004; Clarkson *et al*., 2008). From this perspective firms issues voluntary stand-alone CSR reports to be sure that stakeholders are aware of actions taken by the company in order to fulfil this social and environmental responsibilities (Grey *et al.* 1995). As already anticipated, disclosing information is a quite costly practice, and consequently, firms will be favourable to voluntary disclosure if the benefits of providing CSR information will outweigh the related costs (Li *et al*., 1997). Thus, from a signalling theory perspective, it is expected that "good" companies will benefit from engaging in voluntary disclosure, whereas stakeholders may punish "bad" companies for their behaviour (Mahoney *et al.*, 2012). This theory, in fact, assumes that is less costly engaging in voluntary disclosure for a firm with higher CSR performance than one with a poorer performance (Verricchia, 1983). Support to this argument, even if scares, can be found in Sinclair-Desgagne and Gozlan (2003), which present a theoretical model where external agents punish companies from having pretended to be good citizens when they are not, and in the Nike-Kasky Case (2002 cited in Mahoney *et al.*, 2012), that provides evidence in support of their model. From that, Mahoney *et al.* (2012) suggest that companies with stronger CSR performance will be more willing to issue stand-alone CSR reports. They indeed confirm those expectations by finding that firms issuing stand-alone CSR reports are affectively better corporate citizens. This result highlights again the importance that stakeholders' pressure can have upon companies' decision to engage in CSR disclosure (Mahoney *et al*. 2012).

Another explanation for issuing stand-alone CSR reports can be represented by the concept of greenwashing who belongs to socio-political perspective, which embrace legitimacy theory, stakeholders theory and impression management view who "suggest [that] environmental disclosure is a function of political and social pressures" (Mahoney *et al.*, 2012, p. 352). Greenwashing in particular, is a legitimation strategy that occurs when firms decide to voluntary engage in CSR disclosure in order to legitimate their status in stakeholders' eyes and consequently appear as "good" citizens even if this is not the case (Lindblom, 1994 cited in Mahoney *et al.*, 2012). Stated more clearly, companies select to disclose only positive and specific information, in order to give a better firms' perception to stakeholders who end up by reading misleading and biased reports (Mahoney *et al*. 2012). An example of greenwashing is presented by Adams (2004, cited in Mahoney *et al*. 2012), who analysed a firms' actual environmental performance in respect of its environmental report. He found that the poor environmental performance of this company was not reflected in his report, who tended to mention only the company's good CSR strategy actions and results. Greenwashing practice do not necessary corresponds to false disclosure, but may involve firms that "conveniently exclude damaging disclosures" (Mahoney *et al*. 2012 p. 352). Some example of such behaviour are provided by Belal and Cooper (2011) who found companies in Bangladesh that were not compliant with labour-related laws and omitted this information in their reports in order not to damage their image. In this perspective, CSR disclosure is considered as a way to amortize the effect of poor environmental performance on corporate reputation. By following such reasoning, it is expected that voluntary CSR disclosure will be implemented by companies that have lower CSR performance, has contrarily sustained by signalling theory. However, Mahoney *et al.* (2012) in their study do not find support for the greenwashing hypothesis, as they do instead for the signalling theory.

Another important aspect to be taken into consideration when analysing the different external pressures that can push firms to engage in voluntary CSR disclosure is represented by the specific industry in which the company operates, as highlighted by different studies (Patten, 1992; Bowen, 2000; Morris, 1997). In these literary contributions is observed that different industries are characterized by different environmental impacts: for example, companies in the mining or oil & gas sectors will have different environmental and social impacts in respect to business operating in retail or health care sectors. Moreover, industries that have a higher environmental impact tend to be more easily associated with highly visible environmental issue and, therefore, they are more closely observed by environmental stakeholders (Halme and Huse, 1996; Brammer and Pavelin, 2004). Consequently, also CSR reporting rates will vary according to different industry's characteristics, as reported by KPMG (2015). As showed by the graph (figure 2.2.1), the sectors leading the way with CSR reporting are still the traditionally considered polluting industries together with mining and utilities sectors (KPMG, 2015). According to these result, industry sector can be considered one of the drivers for engaging in CSR disclosure.

*Figure 2.2.1 – CSR reporting rates by sector*




*Base: 4500 N100 companies*

*Source: Personal elaboration from data presented in "KPMG Survey of corporate responsibility report 2015".*

Aside from firm's belonging to a particular industry, the willingness of companies to engage in CSR disclosure may depend upon other factors such as stakeholders' information costs (Cormier and Magnan, 1999). These costs are settled by contractual relationships between the company and his stakeholders: for example, costs related to disclosure can arise if outside partners use information disclosed against the firm; in the same way, benefit can occur if the firm is able to reassure investors thanks to the content disclosed (Cormier and Magnan, 1999). Grossman (1981) argues that extensive asymmetric information exists between investors and managers. Starting from this assumption, it result more convenient, under some circumstances, to voluntary disclose information if the "cost to the firm is lower than the cost to market participants" (Cormier and Magnan, 1999). This solution is more appropriate for companies that, in order to finance their expansion, heavily rely on capital markets or are widely followed by investors since, by reducing information asymmetry, they are able to reduce financing costs (Cormier and Magnan, 1999).

At last, Roberts (1992), sows a significant association between company age and environmental disclosure.

### 2.2.1 A special focus on reputation

Of particular relevance for the purpose of this work is the reputational dimension of CRS disclosure. In facts, different literary contributions point out that companies may use CSR reporting practices as a way to manage their reputation and public image (Bebbington et al. 2008; Friedman and Miles, 2001). This perception is supported by the survey of KPMG (2013), where is it reported that the 51% of reporting companies see in social and environmental disclosure an opportunity to strengthen brands and corporate reputation. Following Friedman and Miles (2001), reputation can be considered a determinant of CSR disclosure since companies have the possibility to externally show that they are aware of the importance of engagement in social and environmental issues. As already showed, this implies that firms who show higher CSR performances will be more inclined in engaging in voluntary disclosure in order to distinguish themselves from bad CSR performers (Akerlof, 1970). In terms of reputational context, this means that CSR disclosure can be positively perceived by the public as a signal of corporate CSR engagement and good CSR performance (Axjonow *et al*., 2016). Consequently, such a behaviour can influence public's perception, thus having a positive effect on reputation.

In the same manner, CSR disclosure can be interpreted as a communication tool that allow companies to construct a specific self-image in order to be regarded as socially responsible (Axjonow et al., 2016). O'Dwyer (2002, pp. 418-419) argues that "few managers perceived that [CSR reporting]…reflected actual responsibilities/activities undertaken. It was widely viewed as a form of symbol", and quoting one interviewee "most companies…are interested…to be seen to have some sort of social conscience". Thus, the purpose for engaging in CSR reporting can have more to do with the desire to build a specific identity rather than effectively communicate about CSR efforts and actions (Bebbington et al. 2008). Cho *et al.* (2011) provide evidence of such an argument finding that voluntary CSR disclosure "appears to be an effective tool for reputation risk management" (Cho *et al.* 2011, p. 23). As also reported by Hopwood (2009), it seems that larger companies in particular "tend to channel their environmental disclosures more toward discussion of strategies and policies than toward providing meaningful performance information" (Cho *et al.* 2011, p. 23).

Additional evidence in support of the idea that sustainability disclosure is driven by reputation is provided by Michelon (2011), which interprets the relationship between disclosure and reputation in terms of media exposure. She argues that "the more exposed a company is to the media, the more information is available for stakeholders to evaluate its commitment to social and environmental responsibility. The company, therefore, has a greater incentive to provide information on such activities" (p. 93). Media coverage "influences the preferences of the populace and helps set the public agenda [which] in turn generates constituency pressure" (Erfle and McMillan, 1990). This implies that "greater media exposure tends to bring greater pressure from social and political stakeholders, and so, one would expect, makes more pressing the need to provide information regarding social responsiveness" (Brammer and Pavelin, 2004, p.89).

Visibility is usually connected with firm's size, as larger companies tend to have a higher degree of visibility (Brammer and Pavelin, 2004). Indeed, different studies provide evidence of a positive relation between the firm's size and extent of disclosure (Cho and Patten, 2007).

To summarize, it is expected that disclosure will be positively related to media exposure, meaning that larger firms will tend to disclose more, and to CSR performance. Moreover, it will be more common in industries that are perceived as more socially and environmentally sensible (Brammer and Pavelin, 2004).

## 2.3 Global Reporting Initiative: The GRI Guidelines

From a reputational perspective, a fundamental attribute of CSR disclosure should be its transparency and credibility, in order "to avoid criticism that the reports are public relations schemes without substance" (European Commission, 2001 p.19). As part of their CSR strategy, each company decides the required level of transparency of its reports, depending of the different factors previously described (Fernandez-Feijoo *et al*., 2014). In this perspective, one of the major problems that CSR had to deal with was the lack of a unified reporting system, which allowed companies to select the desired information to be disclosed in order to put themselves in the most favourable light (Brown et al., 2009a). Solution to this problem was found in 1999, with the issuance of the Global Reporting Initiative (GRI), following the model of the US financial reporting system (Brown et al. 2009b).

The GRI is a an independent organization that "provides the world's most widely used standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to make better decisions based on information that matters" (GRI, 2015a p. 2). The purpose of this framework is to be applicable to every organization that desire to disclose sustainability information by proving specific standards as a guide for reporting (Reynolds and Yuthas, 2008). The GRI reporting framework content has been agreed by a large number of stakeholders worldwide and contains general and sector-specific specifications to be applicable for reporting companies' sustainability performance (GRI, 2011).

The GRI guidelines represents principle for defining the report content and are developed following a "triple bottom line" approach, since they organize the sustainability report as the integration of three types of performances: economic, social and environmental (GRI, 2015b). The three types of performances should be covered in the report following the categorisation proposed by the guidelines (see figure 2.3.1).

*Figure 2.3.1 – GRI categorization of performances*

| Category | Economic | Environmental |
|---|---|---|
| Aspects [III] | • Economic Performance<br>• Market Presence<br>• Indirect Economic Impacts<br>• Procurement Practices | • Materials<br>• Energy<br>• Water<br>• Biodiversity<br>• Emissions<br>• Effluents and Waste<br>• Products and Services<br>• Compliance<br>• Transport<br>• Overall<br>• Supplier Environmental Assessment<br>• Environmental Grievance Mechanisms |

| Category | Social | | | |
|---|---|---|---|---|
| Sub-Categories | Labor Practices and Decent Work | Human Rights | Society | Product Responsibility |
| Aspects [III] | • Employment<br>• Labor/Management Relations<br>• Occupational Health and Safety<br>• Training and Education<br>• Diversity and Equal Opportunity<br>• Equal Remuneration for Women and Men<br>• Supplier Assessment for Labor Practices<br>• Labor Practices Grievance Mechanisms | • Investment<br>• Non-discrimination<br>• Freedom of Association and Collective Bargaining<br>• Child Labor<br>• Forced or Compulsory Labor<br>• Security Practices<br>• Indigenous Rights<br>• Assessment<br>• Supplier Human Rights Assessment<br>• Human Rights Grievance Mechanisms | • Local Communities<br>• Anti-corruption<br>• Public Policy<br>• Anti-competitive Behavior<br>• Compliance<br>• Supplier Assessment for Impacts on Society<br>• Grievance Mechanisms for Impacts on Society | • Customer Health and Safety<br>• Product and Service Labeling<br>• Marketing Communications<br>• Customer Privacy<br>• Compliance |

*Source: Source: https://www.globalreporting.org/resourcelibrary/GRIG4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf.*

The variety of aspects that GRI guidelines require companies to cover in their reports, allow the development of a multi-stakeholder process, which is at the base of GRI's identity (Nikoleava and Bicho, 2011). In facts, the funding principles upon which GRI requires to build the report content are represented by:

1. ***Stakeholder inclusiveness*** – The company should clearly define which are its stakeholders, and in which way it is trying to address their expectations and interests (GRI, 2015b). This process should be able to identify the direct input of stakeholders, as well as societal expectations and, since it is probable to find some conflicting views or expectations among different stakeholders during this process, companies should be able to specify how they will balance those conflicts in order to reach their reporting decision (GRI 2011). Failing to identify and engage with stakeholders will results in reports that will not be considered reliable or fully credible by the stakeholders community (GRI 2011).

2. ***Sustainability context*** – The report should cover company's performance aspect in a sustainability context perspective. This mean analysing performance in relation to the limits and demand placed on environmental and social resources (GRI, 2015b). Reporting on only individual performance trends fails to meet this requirement: companies need to present social and environmental performance in the context of the broader concept of sustainability, specifying company's performance in the context of its limits and demand on a local, regional or global level (GRI, 2011). When reporting about activities that can have a local impact is always important to specify how the company affects the community and is fundamental to show the integration of company's sustainability strategy in the overall organizational strategy (GRI, 2011).

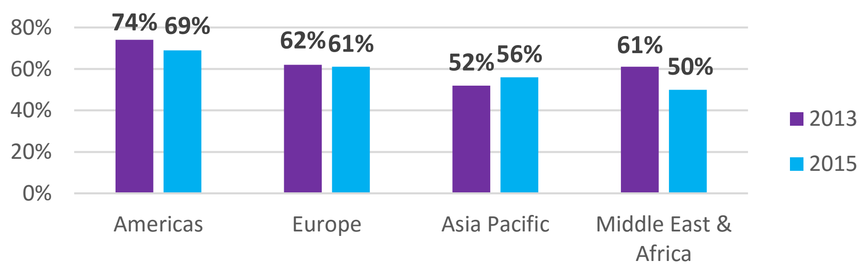
3. ***Materiality*** – The report should reflect the company's aspects that have a relevant economic, social and environmental impact, or the actions that can influence the assessment and decisions of stakeholders (GRI, 2015b). Materiality represent the threshold at which topics became relevant enough to be reported (GRI, 2011). In terms of sustainability reporting, materiality also involve considering economic, social and environmental issue that cross that threshold in affecting "the ability to meet the needs of the present without compromising the needs of future generations" (World Commission on Environment cited in GRI 2011 p.10). Topics that are identified as "material" by the company management tends to have high financial impacts in the

near-long term and for this reason they should be closely monitored by stakeholders when evaluating an organization's financial condition (GRI, 2011).

4. ***Completeness*** – It mainly refers to the dimensions of scope, boundary and time: it should provide stakeholders with the instrument for evaluating organizational performance in the reporting period. (GRI, 2015b) Scope refers to the range of topics covered by the report, boundary to the range of entities which performance is represented by the report and time refers to the need to select information that refers to period specified by the report (GRI, 2011).

Throughout those years, GRI has become the best-known voluntary reporting CSR's framework, gaining an always increasing level of legitimacy among different types of agencies and organizations (Levy et al., 2010; Nikoleava and Bicho, 2011). Since its use is became so widespread, companies tend to adhere to GRI in order to feel part of the "CSR accountable" social category (Nikoleava and Bicho, 2011). In this perspective, the adoption of GRI guidelines can allow companies to demonstrate that they belong to the same group of responsible companies committed to accountability and, at the same time, it can enhance their legitimacy and increase their reputation quotient (Nikoleava and Bicho, 2011). KPMG (2015) reports that 60% of the CSR reporters in the 45 countries surveyed applies GRI's referencing system; the rate increases up to 72% countries if we refer to stand-alone CSR reports. GRI framework is still widely used by world's largest companies, with 74% of G250 companies using GRI (KPMG, 2015). Things are slightly different if we refer to annual reports. Here, the application of GRI guidelines tends to follow a negative trend, especially in countries that have mandatory CSR disclosure regulations for the annual reports (see figure 2.3.2) (KPMG, 2015).

*Figure 2.3.2 – GRI guidelines applied in annual reports, by region*




*Base: 3267 N100 companies that reports on CSR*

*Source: Personal elaboration from data presented in "KPMG Survey of corporate responsibility report 2015".*

This result should not be surprising since historically GRI's framework is designed for stand-alone reports; moreover it cloud be caused by the introduction of the new version of the guidelines, the GRI G4, that are more complex to be used (KPMNG, 2015).

In considering the adoption of GRI framework, it should be noted that the process requires significant company use of resources and that its benefits are, unfortunately, not clearly defined yet (Nikoleava and Bicho, 2011). In this respect, when profitability cannot be clearly accessed and the practice itself can be ambiguous, companies tend to adopt it basing their decision on the number and reputation of early adopters (DiMaggio and Powell, 1983). This type of imitative behaviour has been documented by different studies and it can be summarized in two main categories: information-based and rivalry-based imitative behaviours (Lieberman and Asaba, 2006). Information-based imitation can be observed in uncertain environments, where the only method upon which companies can rely is the interpretation of early adopters' behaviour in order to justify their adoption decision; on the other hand, rivalry-based imitation is a strategy by which companies adopt a particular practice in order not to lose their competitive advantage (Nikoleava and Bicho, 2011). In fact, the higher the number of adopters and the more reputable these companies are, the more such a practice will become taken for granted, which can make non-adopters resulting as "abnormal" (DiMaggio and Powell, 1983).

This kind of behaviour can as well be observed in firms' actions when evaluating whether to adhere or not to GRI guidelines. Nikoleava and Bicho (2011 p.152) provide evidence of such argumentation by showing that "companies are significantly affected both by the number of adopters within their industry and by the overall diffusion rate of the GRI frameworks among global corporations". Moreover, they show that if the GRI framework is adopted by highly visible companies (who have high media attention) the institutionalisation process of the GRI guidelines can be speed up, meaning that it will be more and more taken for granted. This implies that there is a higher chance that multiple stakeholders will reward firms adopting the GRI as it is perceived as a legitimizing token (Nikoleava and Bicho, 2011).

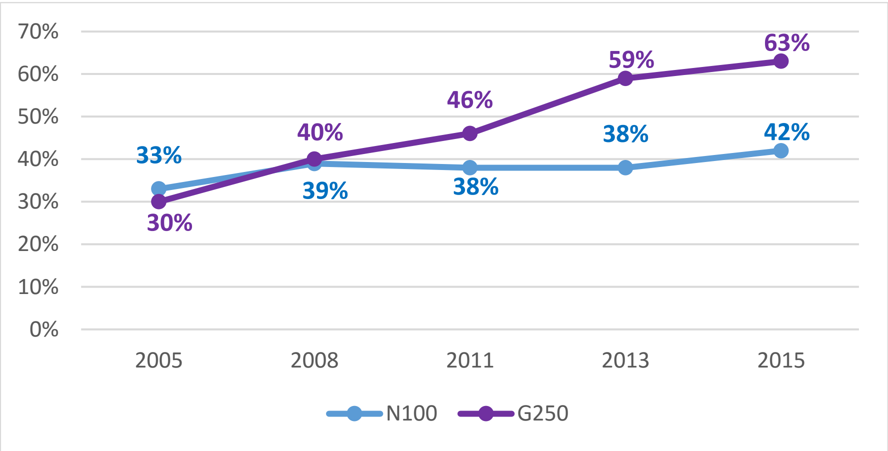
### 2.4 Report quality and credibility

As already discussed, one of the fundamental purposes of CSR disclosure include "reputation enhancement, meeting investors demands for performance information and fulfilling a commitment to demonstrate an ethical position to stakeholders" (Dobers and

Springett, 2010, p. 150). In this respect, sustainability reporting is perceived as an opportunity for demonstrating transparency, accountability and effective governance (Subramaniam *et al.*, 2006). Throughout those years, as already highlighted, the number of companies engaging in CSR disclosure has been in constant increase, yet a fundamental question has been posed: are the information provided in those reports effectively reliable? (Zorio *et al.*, 2012).

The current debate in this field underlines the necessity to provide a greater degree of assurance and credibility to the information disclosed in the CSR reports published by companies (Zorio *et al.*, 2012). In this respect, deciding to make third parties assuring your report can be a way in order to increase the credibility of the your disclosure and, consequently, increase stakeholders' confidence (DeBeelde and Tuybens, 2013). KPMG (2015) survey reports that third party assurance of CSR report is still increasing since 2005: in fact 63% of the 250 global largest companies decide to independently assure the information disclosed (see figure 2.4.1). Moreover, KPMG (2015) stresses the fact that the greatest growth in information assurance has been in annual reports rather than stand-alone CSR reports and states that external assurance improve both the external and internal credibility of the CSR information.

*Figure 2.4.1 – Growth in independent assurance of CSR information*




*Base: 3267 N100 companies that report on CSR, 230 G250 companies that report on CSR*
*Source: KPMG Survey of corporate responsibility report 2015*

Such results show how important is the role that assurance can play in increasing the perceived quality of disclosed information by companies (Corporate Register, 2008 cited in Zorio *et al.*, 2012). Such assertion is supported by the work of Moroney *et al.* (2012) who find evidence that environmental assurance is associated with the quality of company voluntary CSR disclosure, finding that assured companies have a higher quality of disclosure in respect of unassured ones. However, Michelon *et al*. (2015) do not find further support to this assertion, as their analysis do not prove any relationship between assurance and disclosure quality. These contrasting results let assume that assurance can also "be seen as a symbolic practice that firms use to influence stakeholders' perceptions of corporate commitment to CSR reporting" (Michelon et al., 2015 p.75) and that there still is a great ambiguity around assurance's objectives, scopes and procedures (Owen, 2007).

Beside third parties assurance, the GRI framework (GRI, 2015b) proposes a list of principles that should guide companies in making good quality reports:

1. ***Balance*** – "The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance" (GRI, 2015b p. 17). The report should reflect both favourable and unfavourable results, and the emphasis on these topics should be proportioned to their materiality (GRI, 2011). Moreover, is fundamental that the report clearly distinguish between the presentation of actual activities and results and the information on which the company presents its interpretation (GRI, 2011).

2. ***Comparability*** – "The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyse changes in the organization's performance over time, and that could support analysis relative to other organizations" (GRI, 2015b p. 18). Comparability is a fundamental attribute in the evaluations of a company performance: the report should provide, when possible, the information in a manner that allows stakeholders to contextualize them in order to be able to compare them with other companies' reporting and have a more clear understanding of the possible reasons behind differences in companies' performances (GRI, 2011).

3. ***Accuracy*** – "The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance" (GRI, 2015b p. 18). The way in which information can be reported vary in different ways: they can be reported in a qualitative or quantitative manner (GRI, 2011). The accuracy of such information varies according to their nature and the users toward which they are addressed: qualitative information are considered accurate when they are clearly stated and detailed; quantitative information, on

the other hand, are considered accurate based on the specific method used to display them (GRI, 2011).

4. ***Timeliness*** – "The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions" (GRI, 2015b p.18). The timing of the release of the report refers to both the "regularity of reporting as well as its proximity to the actual events" (GRI, 2015b p.18).

5. ***Clarity*** – "The organization should make information available in a manner that is understandable and accessible to stakeholders using the report" (GRI, 2015b p.18). The report should present the information in an understandable, accessible and usable way for all stakeholders, in order to make them able to find the needed information (GRI, 2011).

6. ***Reliability*** – "Information and processes used in the preparation of a report should be gathered, recorded, compiled, analysed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information" (GRI, 2011 p.19). Shareholders should be confident that they can be able to check the report content in order to check its veracity; moreover such information should be supported by documentation that can, if necessary be reviewed by individual other than the ones who issued the report itself (GRI, 2011).

Such type of approach however, as sustained by Michelon *et al*. (2015), fails to capture the real complexity of the information that management decide to disclose about company's social and environmental activities' impact.

The literature provides different studies that attempted to evaluate the quality of reports content. For example, different literary contributions focus on the quantity of information disclosed as a way to measure the quality dimension of disclosure by proposing simple quantity-quality indices (Marston and Shrives, 1991; Zarzeski, 1996). Beretta and Bozzolan (2004), contend such type of approach by sustaining that the quality of disclosure should depend "both on the quantity of information disclosed and on the richness offered by additional information" (Beretta and Bozzolan, 2004 p. 266). They highlight that it is not only important how much a company disclose but also what is disclosed and how (Beretta and Bozzolan, 2004). Of the same opinion are Michelon *et al*. (2015) that, by following Beretta and Bozzolan (2004), propose a framework for capturing CSR disclosure quality. They propose that CSR disclosure is enhanced not only by the way in which "CSR activities are qualified and quantified" (p. 65), but also by managerial orientation. In this sense, managerial orientation is assumed to reflect both the time orientation of the disclosed information (forward looking/backward looking) and the boilerplate approach (information is not thorough about corporate's activities impact) vs. committed approach (information are specific and provide readers with insight on company's commitment) (Michelon *et al*., 2015). The result of their study suggest that the use of CSR reporting practice is not necessarily associated with a higher level of quality disclosure, meaning that the practice seems to be more symbolic than substantive (Michelon *et al*., 2015). Moreover, they assert that companies with stand-alone reports tend to disclose more information in terms of quantity dimension than companies without, but this does not necessarily implies a higher quality of the report itself, as this information tend to be dilute with other irrelevant information (Michelon *et al*., 2015). From a user perspective is not easy to appreciate a company CSR commitment if the amount of CSR information present in the report is too poor in respect to the report's length (Beretta and Bozzolan, 2004). Such evidences are in line with other studies that argue that CSR reporting is used more as impression management rather than as an accountability tool (Cho *et al.,* 2012).

In this perspective, Merkl-Davies and Brennan (2007), observe that corporate management can use CSR disclosure as a way to manage public impressions by self-biasing the report's narrative by deciding the amount of information to be disclosed, the range of topics covered and the language and verbal tone to be used in the report. Several studies of reports narratives show that corporation consciously use determined language characteristics in order to manipulate stakeholders' perceptions of the firm (Clatworthy and Jones, 2001). Such assertion is also supported by Bebbington *et al*. (2008) that by analysing Shell Report 2002, find evidence that the narrative is consciously used in such a way to highlight the positive attributes of the management or, on the other hand, to reduce the perceived offensive actions. They underline for example how Shell's report links elements of social responsibility together with evidence about the quality of management (Bebbington *et al*., 2008).

According to Merkl-Davies and Brennan (2007), impression management can be divided in two main categories: concealment and attribution. Disclosure achieves concealment when the emphasis put upon good news obfuscate negatives ones; on the other hand, attribution is defined as a defensive tactic aimed at transferring the blame of negative outcomes upon others (Merkl-Davies and Brennan, 2007). In fact, both Aerts (1994) and Clatworthy and Jones (2003) found that companies tend to attribute good organizational results to internal factors, whereas the negatives ones tend to be attributed to external factors. In this regard, it is expected that companies characterized by a poorer CSR performance will tend to manage stakeholders' perceptions by utilizing a more optimistic language in their report (Cho *et al*. 2010). Empirical evidence in support to this assertion is provided by Cho *et al*. (2010), who find that that poorer environmental performance is effectively associated to a more optimistic tone in the report. Table 2.4.2 synthesize all the literary works consulted for providing literary support to the argument of CSR reporting practice and CSR reporting quality.

*Table 2.4.2 – Syntesis of literary works consulted, both cited and not cited.*

| Autor(s) | Year | Title |
|---|---|---|
| Hasseldine, J., Salama, A.I. and Toms, J.S | 2005 | Quantity vs. quality: the impact of environmental disclosure on the reputation of UK Plcs |
| Brennan, N.M. | 2014 | Rhetoric and argument in social and environmental reporting: the dirty laundry case |
| Burrit, R.L. and Schaltegger, S. | 2010 | Sustainability accounting and reporting: fac or trend? |
| Gray, R. | 2010 | Is accounting for sustainability actually accounting for sustainability...and how would we know? An exploration of narratives of organisations and the planet |
| Michelon, G.; Pilonato, S. and Ricceri, F. | 2015 | CSR reporting practices and the quality of disclosure: an empirical analysis |
| Brown, H.S.; DeJong, M. and Levy, L.D. | 2009 | Building institution based on information disclosure: lessons from GRI's sustainability reporting |
| Cho, C.H., Roberts, W.R. and Patten, M.D. | 2010 | The language of US corporate environmental disclosure |
| Fernandez-Feijoo, B., Romero, S. and Ruiz, S. | 2014 | Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framwork |
| Brammer, S. and Pavelin, S. | 2008 | Factors influencing the quality of corporate environmental disclosure |
| Joseph, G. | 2012 | Ambiguous but tethered: an accounting basis for sustainability reporting |
| Nikoleva, R. and Bicho, M. | 2011 | The role of reputational factors in the voluntary adoption of corporate factors in the voluntary adoption of corporate social responsibility reporting standards. |
| Zorio, A., Garcia-Benau, M.A. and Sierra, L | 2012 | Sustainability development and the quality of assurance reports: empirical evidence |

| | | |
|---|---|---|
| Beck, A.C., Campbell, D. and Shrives, P.J. | 2010 | Content analysis in environmental reporting research: enrichment and rehearsal of the method in British-German context |
| Mahoney, L.S, Thorne, L. Cecil, L. and LaGore, W. | 2012 | A research note on standalone corporate social responsibility reports: signalling or greenwashing? |
| Cho, C.H. and Patten, D.M | 2007 | The role of environmental disclosure as tools of legitimacy: a research note |
| Michelon, G. | 2011 | Sustainability disclosure and reputation: a comparative study |
| Hooghiemstra, R | 2000 | Corporate communication and impression management: new perspective why companies engage in corporate social reporting |
| Cho, H.C., Guidry, R.P., Hageman, A.M. and Patten, D.M. | 2011 | Do actions speaks louder than words? An empirical investigation of corporate environmental reputation |
| Brammer, S. and Pavelin, S. | 2004 | Voluntary social disclosure by large UK companies |
| Dando, N. and Swift, T. | 2003 | Transarency and assurance: minding the credibility gap |
| Antal, A.B., Dierkes, M., MacMillan, K. *and* Martz, L. | 2002 | Corporate social reporting revisited |
| Amran, A.; Ping L.S. and | 2014 | The influence of governance structure and strategic corporate social responsibility toward sustainability reporting quality |
| DeBeelde, I. and Tuybens, S. | 2013 | Enhancing the credibility of reporting on corporate social responsibility in Europe |
| Moroney, R., Windsor, C. and Aw, Y.T | 2012 | Evidence of assurance enhancing the quality of voluntary environmental disclosure: an empirical analysis |

From the different literature contributions proposed, it emerges how complicated is to define the report quality dimension. For the purpose of this work, particular attention has been devoted to the assertions that interpret the reporting practice as a way to manipulate stakeholders' perceptions and that consider the quality dimension as composed by a complex articulation of attributes, rather than simply the quantity of information disclosed (Michelon *et al*, 2015; Cho *et al*., 2010; Merkl-Davies and Brennan, 2007). It is by starting from this perspective that this work has been built. In fact, in the following sections, attention will be devoted to finding evidence in support of the argument that CSR disclosure practices can be a way to influence corporate reputation. More specifically, this work will consider and specify the quality dimension of CSR disclosure in order to access if this dimension can have an impact on the perceived reputation of some of the best reputation performing firms.

## 3. Research Method: How To Measure Corporate Reputation And Quality Of Disclosure

As previous chapters have highlighted, CSR disclosure is principally perceived as a tool aimed at managing company's reputation (Bebbington et al. 2008; Friedman and Miles, 2001). In this perspective, reputation is considered as one of the drivers of CSR disclosure, a communication tool through which companies can communicate their engagement in CRS activities and an instrument through which build a self-image as of responsible company (Axjonow *et al*., 2016; Cho *et al*. 2011). Starting from such assertions, this chapter wants to define the variables that will measure perceived reputation and quality of disclosure respectively. The first part will define the research method, specifying the sample used and its major characteristics. In the second part of the chapter, the process of content analysis applied to this study is described in detail, together with the process for calculating the quality of CSR disclosure. The four indexes that compose the quality of disclosure will be defined and described. At last, the chapter present dependent and control variables that will be used.

### 3.1 Sample definition

In the previous sections it has been introduced the concept of corporate reputation, both in general terms and then, more specifically from a CSR perspective. We saw how valuable reputation is for the majority of corporations and the main actions that management adopts in order to enhance and protect it (Brammer and Pavelin, 2006; Bebbington *et al*., 2008). One of the most important ones is the reporting practice, and in particular CSR disclosure. From the analysis of CSR disclosure previously presented, it has emerged the complexity of such process, especially from an interpretative perspective. We saw how difficult is for shareholder to understand which companies really reflect what is reported in the disclosed information and which ones use it as way to hide a bad or poor performing behaviour (Mahoney *et al.*, 2012). Such ambiguity is also reflected in the difficulty to establish if a report is of good quality and if it is reliable (Michelon et al. 2015; Beretta and Bozzolan, 2004; Zorio *et al*., 2012). In this respect, this analysis will now be focalized in understanding how, and if, the quality dimension of CSR disclosure can influence companies' perceived reputation. Reputation, while intuitively appealing from a conceptual perspective, is in practice a complex organizational characteristic and consequently difficult to be formally studied (Bebbington *et al*., 2008). Following Bebbington *et al*. (2008), in order to describe more formally corporate reputation it has been decided to use a specific reputation ranking study, namely the Harris Poll Reputation Quotient

(RQ). It has been decided to refer to the more recent publication of such ranking, who has been published in February 2016.

The 2016 Harris Poll Reputation Quotient measures the reputation of the most visible companies in the US market as perceived by general public (Harris Poll, 2016). Harris Poll RQ has been running since 1999, measuring the 60 most visible companies in order to manage corporate reputation and identifying market risks as well as new opportunities (Harris Poll, 2016). In 2015, the sample of most visible companies to be analysed has been increased up to 100, in order to have a deeper industry coverage and comparison (Harris Polls, 2016). The Reputation Quotient (RQ) is obtained by surveying a total of 23000 people, in a two phases process. The first phase is the "Nomination phase", in which the "Most Visible" companies are identified. All respondents are ask to nominate two companies that in their opinion stands out to have the best and worst performance. The two open question asked are (Harriss Polls, 2016 p. 24):

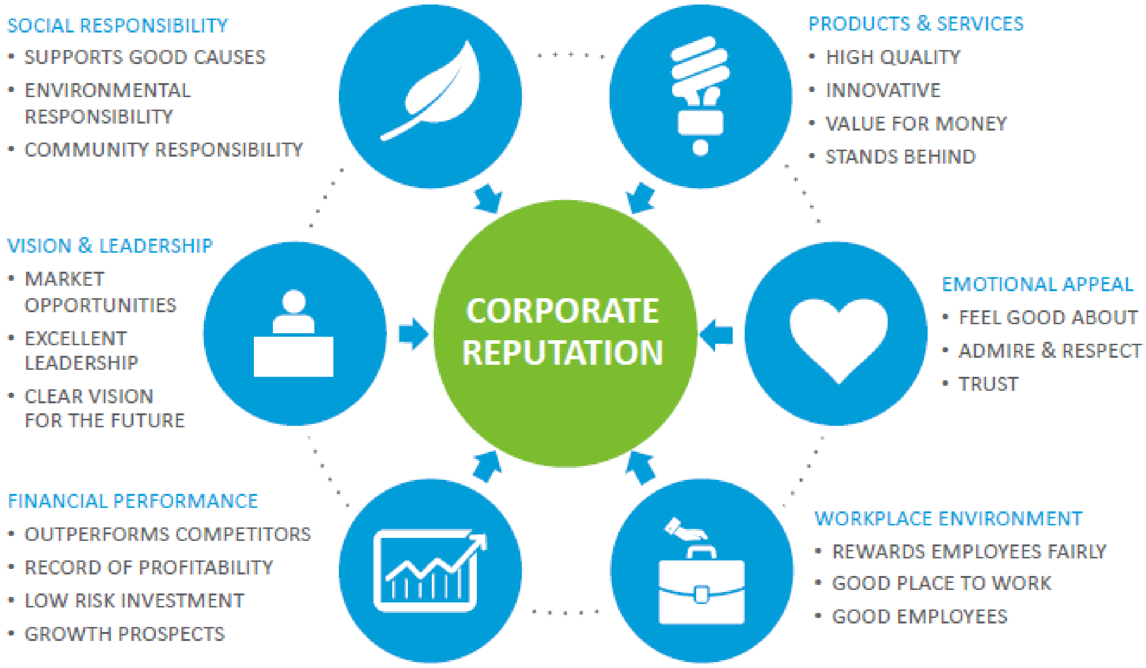
1. Of all the companies that you're familiar with or that you might have heard about, which TWO -in your opinion -stand out as having the BEST reputations overall?
2. Of all the companies that you're familiar with or that you might have heard about, which TWO -in your opinion -stand out as having the WORST reputations overall?

Nominations from the entire surveyed are collected in order to evaluate the sum of nominations for each company and ending up with the 100 most visible ones. The second phase, called the "Reputation Quotient Ranking phase" consist in an online survey, where each of the previously identified companies are evaluated on 20 attributes. For each of such attributes, surveyed are asked to express they perception on a 7 points rating scale (Harris Polls, 2016). The 20 attributes are then classified into six categories that will represent the different corporate reputation's dimensions upon which companies are classified (see figure 3.1.1) (Harris Poll, 2016). The six categories identified are: 1) social responsibility, 2) products and services, 3) emotional appeal, 4) workplace environment, 5) financial performance and 6) vision and leadership (Harris Poll, 2016).

The maximum value of the RQ Score is 100 and is so calculated (Harris Poll, 2016):

$$\text{RQ Score} = \left(\frac{\text{sum of ratings on the 20 attributes}}{\text{total number of attributes answered x7}}\right) x\ 100$$

*Figure 3.1.1 – The Harris Poll's dimensions of reputation*




*Source: 2016 Harris Poll RQ summary report – A survey of the U.S. general public and opinions elite using the reputation quotient*

For the purpose of this work, it has been decided to focus the attention on the 2016 Harris Poll Reputation Score. Is important to specify that the RQ score of 2016, as well as the preceding RQ scores, is calculated referring to the previous year, namely 2015. For the sake of simplicity, from now on we will refer to RQ Score 2016 as Reputation Quotient (RQ) 2015. This analysis starts from the 100 most visible companies appearing in the RQ 2015 (table 3.1.2) (Harris Poll, 2016). From this list of companies, it has been selected the sample to be used. In order to a firm to be included in the sample, the following criteria should be met:

1. Companies must be listed on a stock exchange

2. Companies have a stand-alone CSR report or a specific section in the annual report dedicated to sustainability, specifically referring to financial year 2014

According to these criteria, the sample ends up to be composed by 47 companies, for which are reported both the RQ 2015 and 2014, ordered in a decreasing order from highest to lowest reputation performers:

*Table 3.1.2 – RQ 2015, 100 most visible companies*

| | RANK 1-25 | RQ | | RANK 26-50 | RQ |
|---|---|---|---|---|---|
| 1 | AMAZON.COM | 83,96 | 26 | LOWE'S | 77,65 |
| 2 | APPLE | 83,03 | 27 | SONY | 77,58 |
| 3 | GOOGLE | 82,97 | 28 | NIKE | 77,50 |
| 4 | USAA | 81,27 | 29 | ALDI | 77,49 |
| 5 | THE WALT DISNEY COMPANY | 81,18 | 30 | WHIRPOOL CORPORATION | 77,23 |
| 6 | PUBLIX SUPER MARKETS | 90,94 | 31 | EBAY | 76,51 |
| 7 | SAMSUNG | 80,44 | 32 | BEST BUY | 76,46 |
| 8 | BERKSHIRE HATHAWAY | 80,37 | 33 | BMW * | 76,37 |
| 9 | JOHNSON & JOHNSON | 80,23 | 34 | FIDELITY INVESTMENT | 76,26 |
| 10 | KELLOGG COMPANY | 79,92 | 35 | THE KROGER COMPANY | 75,68 |
| 11 | THE VANGUARD GROUP * | 79,76 | 36 | SOUTHWEST AIRLINES | 75,64 |
| 12 | FEDEX CORPORATION | 79,60 | 37 | NORDSTROM | 75,58 |
| 13 | COTSCO | 79,53 | 38 | THE HOME DEPOT | 75,55 |
| 14 | THE CLOROX COMPANY * | 79,40 | 39 | AMERICAN EXPRESS | 75,53 |
| 15 | PROCTER & GAMBLE CO. | 79,39 | 40 | IBM | 75,43 |
| 16 | GENERAL MILLS | 79,18 | 41 | LG CORPORATION | 75,32 |
| 17 | HONDA MOTOR COMPANY | 79,16 | 42 | KOHL' S | 75,04 |
| 18 | THE COCA COLA COMPANY | 78,96 | 43 | YUM! BRANDS | 75,00 |
| 19 | NESTLE | 78,83 | 44 | WHOLE FOODS MARKET | 75,00 |
| 20 | MICROSOFT | 78,57 | 45 | CVS (CVS Health) | 74,88 |
| 21 | MEIJER | 78,50 | 46 | KAISER PERMANENTE * | 74,83 |
| 22 | UPS * | 78,22 | 47 | UNILEVER | 74,82 |
| 23 | CHICK-FIL-A | 78,18 | 48 | WALGREENS | 74,69 |
| 24 | NETFLIX * | 77,98 | 49 | TARGET | 74,24 |
| 25 | THE KRAFT HEINZ COMPANY ** | 77,94 | 50 | FORD MOTOR COMPANY | 74,10 |

| | RANK 51-75 | RQ | | RANK 76-100 | RQ |
|---|---|---|---|---|---|
| 51 | TYSON FOODS * | 74,09 | 76 | JP MORGAN CHASE & CO. | 67,93 |
| 52 | GENERAL ELECTRIC | 73,97 | 77 | JCPENNEY | 67,64 |
| 53 | HOBBY LOBBY | 73,37 | 78 | CAPITAL ONE FINANCIAL CORP. * | 67,47 |
| 54 | HEWLETT-PACKARD COMPANY | 72,93 | 79 | BURGER KING | 67,16 |
| 55 | THE ALLSTATE CORPORATION | 72,80 | 80 | COX ENTERPRISES * | 67,02 |
| 56 | DELL | 72,76 | 81 | GENERAL MOTORS | 66,27 |
| 57 | STATE FARM INSURANCE | 72,73 | 82 | FIAT CHRYSLER AUTOMOBILES | 66,07 |
| 58 | MACY'S | 72,40 | 83 | UNITED AIRLINES | 65,99 |
| 59 | PEPSI CO. | 72,22 | 84 | MCDONALD'S | 65,78 |
| 60 | FACEBOOK | 72,09 | 85 | EXXONMOBIL | 65,42 |
| 61 | DISCOVER FINANCIAL SERVICES * | 71,67 | 86 | KOCH INDUSTRIES | 65,32 |
| 62 | STARBUCKS CORPORATION | 71,67 | 87 | SPRINT CORPORATION | 65,18 |
| 63 | TOYOTA MOTOR CORPORATION | 71,50 | 88 | TIME WARNER CABLE ** | 64,89 |
| 64 | CHIPOTLE * | 71,00 | 89 | CITIGROUP | 64,80 |
| 65 | SAFEWAY | 70,88 | 90 | CHARTER COMMUNICATIONS | 64,78 |
| 66 | UNITED STATES POSTAL SERVICE | 70,86 | 91 | SEARS HOLDINGS CORPORATION | 64,69 |
| 67 | VERIZON COMMUNICATION | 70,30 | 92 | BANK OF AMERICA | 64,26 |
| 68 | 21st CENTURY FOX | 70,28 | 93 | DISH NETWORK | 62,22 |
| 69 | AT&T | 69,74 | 94 | AIG | 61,15 |
| 70 | WELLS FARGO & COMPANY | 69,73 | 95 | GOLDMAN SACHS | 60,44 |
| 71 | CHEVRON | 69,20 | 96 | MONSANTO | 60,43 |
| 72 | WALMART | 69,09 | 97 | COMCAST | 60,21 |
| 73 | T-MOBILE | 68,46 | 98 | BP | 59,13 |
| 74 | ROYAL DUTCH SHELL | 68,24 | 99 | HALLIBURTON | 56,26 |
| 75 | DELTA AIRLINES | 68,13 | 100 | VOLKSWAGEN GROUP * | 54,75 |

* New to most visible list this year (not in most visible companies RQ 2014)
** Name changed from previous year
Guide to RQ Score: 80&Above, Excellent; 75-79, Very Good ; 70-74, Good; 65-69, Fair; 55-64, Poor | 50-54, Very Poor; Below 50, Critical

*Source: 2016 Harris Poll RQ summary report – A survey of the U.S. general public and opinions elite using the reputation quotient*

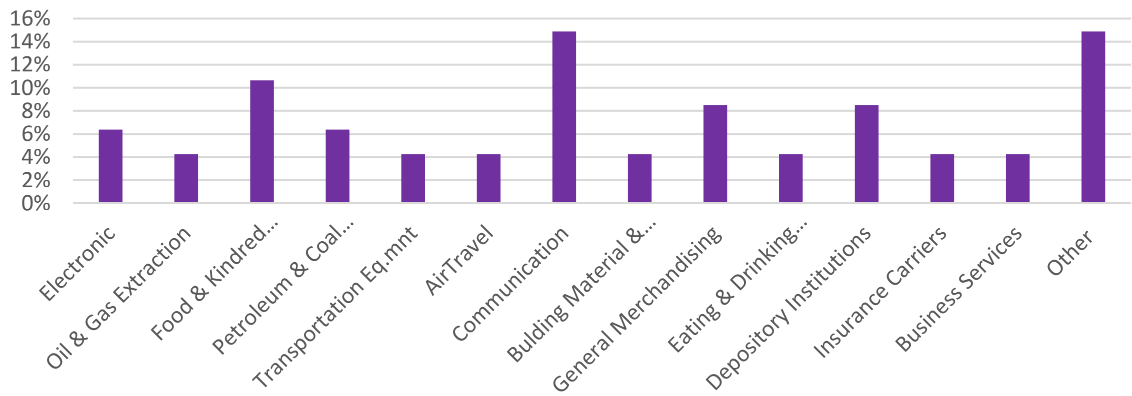
*Table 3.1.3 – Sample companies and respective RQ scores 2015-14*

| | RQ 2015 | RQ 2014 |
|---|---|---|
| APPLE | 83,03 | 80,69 |
| THE WALT DISNEY COMPANY | 81,18 | 80,04 |
| JNJ | 80,23 | 80,88 |
| KELLOGG COMPANY | 79,92 | 79,25 |
| FEDEX | 79,60 | 75,53 |
| GENERAL MILLS | 79,18 | 76,88 |
| HONDA MOTOR COMPANY | 79,16 | 76,80 |
| THE COCA-COLA COMPANY | 78,96 | 75,89 |
| MICROSOFT | 78,57 | 79,74 |
| LOWE'S | 77,65 | 79,48 |
| NIKE | 77,50 | 77,88 |
| WHIRPOOL CORPORATION | 77,23 | 77,54 |
| EBAY | 76,51 | 75,14 |
| THE KROGER COMPANY | 75,68 | 76,29 |
| THE HOME DEPOT | 75,55 | 75,38 |
| AMERICAN EXPRESS | 75,53 | 72,63 |
| LG CORPORATION | 75,32 | 78,20 |
| KOHL'S | 75,04 | 75,17 |
| CVS HEALTH | 74,88 | 79,83 |
| UNILEVER | 74,82 | 77,80 |
| TARGET | 74,24 | 70,99 |
| TYSON FOODS | 74,09 | |
| GENERAL ELECTRICS | 73,97 | 74,77 |
| THE ALLSTATE CORPORATION | 72,80 | 71,03 |
| MACY'S | 72,40 | 73,16 |
| PEPSICo | 72,22 | 75,59 |
| STARBUCKS CORPORATION | 71,67 | 76,32 |
| VERIZON COMMUNICATION | 70,30 | 69,74 |
| AT&T | 69,74 | 67,26 |
| WELLS FARGO & COMPANY | 69,73 | 67,55 |
| CHEVRON | 69,20 | 67,09 |
| ROYAL DUTCH SHELL | 68,24 | 68,92 |
| DELTA AIR LINES | 68,13 | 66,52 |
| JPMORGAN CHASE & CO. | 67,93 | 63,98 |
| CAPITAL ONE FINANCIAL CORP. | 67,47 | |
| GENERAL MOTORS | 66,27 | 63,89 |
| MC DONALD'S | 65,78 | 67,77 |
| EXXONMOBIL | 65,42 | 65,43 |
| SPRINT CORPORATIONS | 65,18 | 67,66 |
| TIME WARNER CORPORATION | 64,85 | 64,93 |
| CITIGROUP | 64,80 | 62,19 |
| SEARS HOLDINGS CORPORATION | 64,69 | 59,79 |
| AIG | 61,15 | 55,23 |
| GOLDMAN SACHS | 60,44 | 55,07 |
| COMCAST | 60,21 | 60,04 |
| BP | 59,13 | 62,01 |
| HALLIBURTON | 56,26 | 59,63 |

*Source: Personal elaboration from data presented in "2016 Harris Poll RQ summary report – A survey of the U.S. general public and opinions elite using the reputation quotient" and in "2015 Harris Poll RQ summary report – A survey of the U.S. general public and opinions elite using the reputation quotient"*

The sample is composed by companies that differ from one another for several reasons. As we can see from the graph (figure 3.1.4), here the sample's companies are sorted by the industry in which they operate. In total, the sample is composed by 14 different industry categories. The category renamed as "other" is composed by the industry sectors of Chemical & Allied Products, Rubber & Miscellaneous Plastics Products, Industrial Machinery Equipment, Food Stores, Miscellaneous Retail, Nondepository Institutions and Security & Commodity Brokers. Is important to show that since, industry is one of the factor that is considered as a driver for companies to engage in CSR reporting practices (Patten, 1992; Bowen, 2000; Morris, 1997; KPMG, 2015).

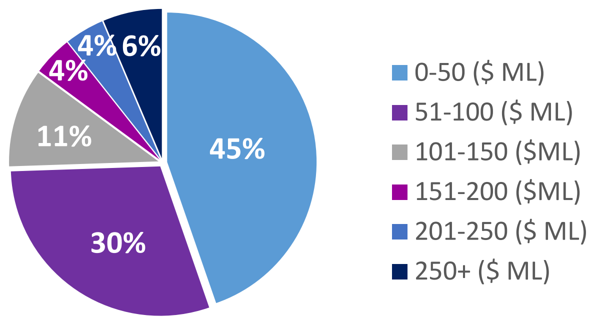
*Figure 3.1.4 – Sample's companies sorted by the industry in which they operate*




*Source: Personal elaboration of the sample's data*

The 15% of the companies present in the sample belong to the communication industry, followed by food & kindred products (11%) and general merchandising (9%). Evidence that high visible companies tend to adopt GRI guidelines for their CSR reports (Nikoleava and Bicho, 2011) is also reflected in this sample, as the 70% of the companies adopt the GRI framework. Except for two companies, General Electrics and Unilever, all the firms issue stand-alone reports. On average, the reports' length is of 60 pages (Mean = 59.319; Min =6; Max = 122). Moreover, sample companies also differ in terms of company size (see figures 3.1.5). It is interesting consider such aspect as some previous studies (Cho and Patten, 2007) have shown that the extent of disclosure is significantly related to firms size.

*Figure 3.1.5 – Sample companies sorted by size*




*Base: Size calculated as company's 2015 total revenues*
*Source: Personal elaboration of the sample's data*

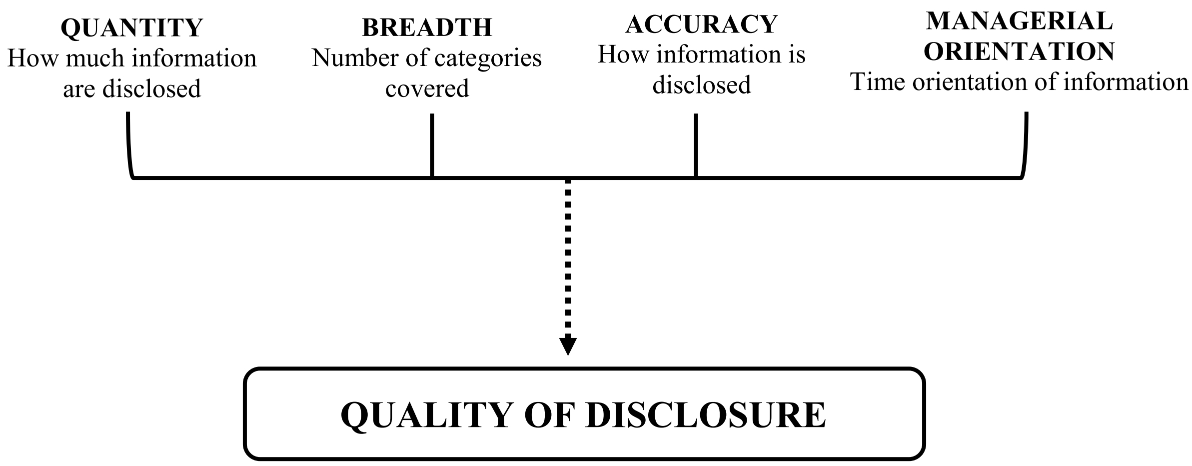
### 3.2 Capturing disclosure quality: The process of content analysis

Now that the formal measure for reputation (RQ 2015) has been defined, and the sample has been created and described, is it time to focus our attention on the quality dimension of CRS disclosure. As already specified in the second chapter, measuring the quality of disclosure is not an easy task: different CSR reporting studies tried to evaluate it using different approaches (Beretta and Bozzolan, 2004; Michelon et al., 2015; Marston and Shrives, 1991; Zarzeski, 1996). This because it should be taken into consideration that the concept of "quality" of disclosure is somewhat subjective and for this reason it can be determined in different ways (Beattie *et al*., 2004).

In this work, following Beretta and Bozzolan (2004) together with Michelon *et al.* (2015), the concept of quality of disclosure is interpreted as a complex articulation of different dimensions: not only the quantity of information reported is important, but also the richness and semantic properties of such information, meaning the extent by which the information help the user understand the social and environmental impact of company's CSR activities.

For these reasons, this work aims at proposing a specific framework for capturing the quality of CSR disclosure. Such framework has been developed by following previous researches, with particular reference to the one proposed by Michelon *et al.* (2015), and by taking into consideration the "Principles for defining report quality" proposed by GRI (2015b). This work, conscious of the critic aspects related to the concept of the "quality" of disclosure and of its operational complexity, wants to give its contribution in building a framework capable of capturing the quality of CSR disclosure, not only in terms of quantity but also in terms of the other as well important aspects. Such framework is so articulated:

***Quality of disclosure dimensions***




*Source: Personal elaboration*

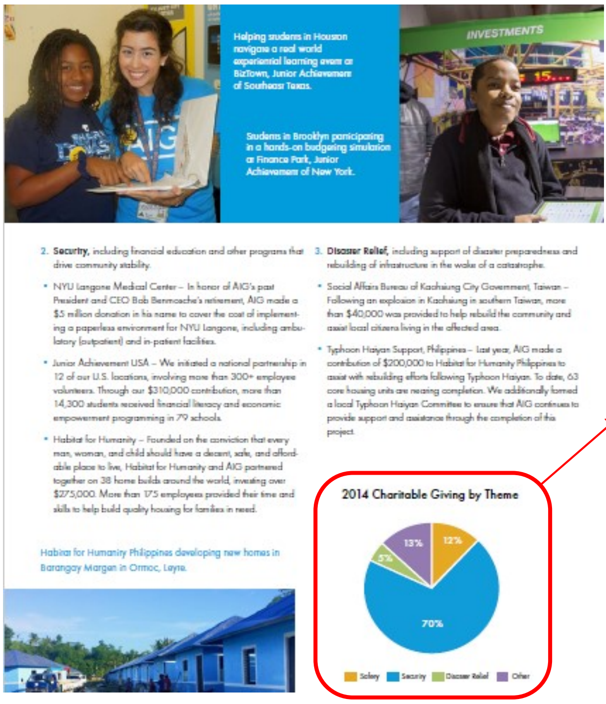
The above scheme graphically summarizes the different dimension of the quality of disclosure that will end up constructing our variable of CSR disclosure's quality. In order to do that it has been decided to apply a specific methodology adopted in the majority of disclosure studies: the content analysis.

Content analysis is "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use" (Krippendorff, 2004 p. 18). Content analysis is a technique aimed at providing new insights, increasing researchers' understanding of a particular phenomena or informing practical actions (Krippendorff, 2004). Following Krippendorff (2004), the data collection in this work follows a mechanistic approach articulated into three steps:

1. ***Recording unit definition*** – Recording units are "units that are distinguished for separate description, transcription, recording or coding" (Krippendorff, 2004 p. 99). There are different options between which to choose the type of recording unit desired. For example, it can be decided to count pages, paragraphs, sentences or even words. For the purpose of this work, the recording unit chose is the "single sentence" as it is considered more reliable than pages or paragraphs (Michelon *et al.*, 2015). For "single sentence", it is intended a group of words that are considered all together until a full stop (.) is

present. While reading a CSR report is it quite common to find tables or graphs summarizing some specific data. This graphic supports constituted a problem, since they cannot be considered as simple sentences, but at the same time, they could not have been left aside since they usually are full of valuable CSR information. For this reason it has been decide to consider, in case of tables, each row as a sentence, and in case of graphs, it has been decide to pick the most significant information and consider it as a sentence. To clarify, it is reported an example using some report pages analysed. Figure 3.2.1 refers to AIG 2014 Corporate Citizenship Report (pag.24). As you can see, this page reports a graph describing the charitable giving by theme. Now, we have data reported for four different categories in the graph (safety, security, disaster relief and other). We will consider as sentence only the most relevant category that, in this case, is the one with the highest charitable giving, namely security (70%). For what concerns tables an example is provided by figure 3.2.2 who reports Apple Environmental Sustainability Report (2015). Here each table's row will correspond to a sentence.

*Figure 3.2.1 – AIG Sustainability report p.24*



Helping students in Houston navigate a real world experiential learning event at BizTown, Junior Achievement of Southeast Texas.

Students in Brooklyn participating in a hands-on budgeting simulation at Finance Park, Junior Achievement of New York.

2. **Security,** including financial education and other programs that drive community stability.

- NYU Langone Medical Center – In honor of AIG's past President and CEO Bob Benmosche's retirement, AIG made a $5 million donation in his name to cover the cost of implementing a paperless environment for NYU Langone, including ambulatory (outpatient) and in-patient facilities.
- Junior Achievement USA – We initiated a national partnership in 12 of our U.S. locations, involving more than 300+ employee volunteers. Through our $310,000 contribution, more than 14,300 students received financial literacy and economic empowerment programming in 79 schools.
- Habitat for Humanity – Founded on the conviction that every man, woman, and child should have a decent, safe, and affordable place to live, Habitat for Humanity and AIG partnered together on 38 home builds around the world, investing over $275,000. More than 175 employees provided their time and skills to help build quality housing for families in need.

Habitat for Humanity Philippines developing new homes in Barangay Margen in Ormoc, Leyte.

3. **Disaster Relief,** including support of disaster preparedness and rebuilding of infrastructure in the wake of a catastrophe.

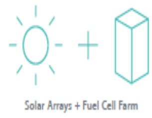
- Social Affairs Bureau of Kaohsiung City Government, Taiwan – Following an explosion in Kaohsiung in southern Taiwan, more than $40,000 was provided to help rebuild the community and assist local citizens living in the affected area.
- Typhoon Haiyan Support, Philippines – Last year, AIG made a contribution of $200,000 to Habitat for Humanity Philippines to assist with rebuilding efforts following Typhoon Haiyan. To date, 63 core housing units are nearing completion. We additionally formed a local Typhoon Haiyan Committee to ensure that AIG continues to provide support and assistance through the completion of this project.



The security category, with 70% of charitable giving is the most significant element represented in the graph. For this reason, it will be considered as one single sentence, even if the data reported are more than one.

*Source: http://www.aig.com/content/dam/aig/america-canada/us/documents/citizen-ship/aig-ccr-english-brochure.pdf*

*Figure 3.2.2 – Apple Environmental Responsibility Report p. 13*




**Maiden, North Carolina**

Our Maiden, North Carolina, data center has earned the LEED Platinum certification from the U.S. Green Building Council—the first data center of its size to be so honored. On any given day, between 60 and 100 percent of the energy it uses is generated onsite through our biogas fuel cells and two 20-megawatt solar arrays—the nation's largest privately owned renewable energy installation. It generates 167 million kilowatt-hours of renewable energy per year, enough to power the equivalent of 12,700 North Carolina homes. And we'll finish another 17-megawatt solar array, capable of producing 39 million kilowatt-hours per year, later in 2015. We purchase any remaining power we need from entirely clean sources located within North Carolina.

| Maiden, North Carolina<br>100% renewable since opening June 2010 | | | |
|---|---|---|---|
| **Duke Energy Carolinas Default Grid Mix** | | **Apple Actual Renewable Energy Use** | |
| Nuclear | 51% | PV1 | 19% |
| Coal | 38% | PV2 | 20% |
| Other | 11% | Fuel Cells | 37% |
| Renewable | <1% | NC GreenPower | 24% |
| **2014 Emissions (metric tons $CO_2e$/year)** | | | |
| Default Grid Emissions | 92,306 | Apple's Effective Emissions | 0 |
| *Duke Energy Carolinas: 2014 Statistical Supplement generation data*<br>*Apple Energy: Actual fiscal 2014 energy data* | | | |

Each table's row containing a relevant information will be considered as one sentence. So in this case, the reported table will correspond to 10 sentences (indicated by the little red arrows).

*Source:http://images.apple.com/environment/pdf/Apple_Environmental_Responsibility_Report_2015.pdf*

2. ***Coding Procedure*** – Coding is a "mechanism application of stated rules for mapping textual units into the terms of data language" (Krippendorff, 2004 p. 125). Such rules should be understood by coders and applied consistently throughout the analysis (Krippendorff, 2004). For the purpose of this work, coding procedure is aimed at capturing the disclosure of CSR information. Following Michelon *et al.* (2015), in this work too it has been decided to assign a score of 0 if the sentence DO NOT provide CSR information. On the contrary, a score of 1 is assigned to sentences that DO provide CSR information.

3. ***Categorization*** – After a sentence has been assigned with score 1, so it is significant since report CSR information, is then coded into the CSR disclosure framework. Following Michelon *et al.* (2015), the CSR framework is so articulated: if a sentence contains CSR information, after having been coded, it is assigned to one of the 32 themes of disclosure identified by the G3 guidelines, depending on the theme disclosed in the sentence (table 3.2.3). If a sentence reports more than one CSR information, is the first theme presented in the sentence who is chose for classifying the information in one of the 32 categories. The 32 categories are further grouped into 5 macro categories: environment, labour practices, human rights, social community and product responsibility-customer health & safety. After that, it is specified the

managerial orientation of the disclosed information, namely if it is a forward-looking information (commitment, expectation, contest and goals) or if it is a backward-looking information (actions and good/bad results) [*This type of classification will be describe in detail in the following section*]. At the same time it is specified the characteristic of the information disclosed, namely if it is a qualitative, quantitative of financial information. For quantitative and financial information, it is also specified the unit measure and the object of disclosure. Table 3.2.4 represent an example of the output of the coding process.

*Table 3.2.3 – The 32 themes of disclosure*

| | |
|---|---|
| **ENVIRONMENT** | |
| **E1** | MATERIALS |
| **E2** | ENERGY |
| **E3** | WATER |
| **E4** | BIODIVERSITY |
| **E5** | EMISSION, EFFLUENTS & WASTE |
| **E6** | CLIMATE |
| **E7** | PRODUCTS & SERVICES |
| **E8** | COMPLIANCE |
| **E9** | TRANSPORT |
| **E10** | INITIATIVES FOR ENVIRONMENTAL PROTECTION & IMPROVING |
| **LABOUR PRACTICES** | |
| **SP1** | EMPLOYMENT |
| **SP2** | LABOUR/MANAGEMENT RELATION |
| **SP3** | OCCUPATIONA HEALTH & SAFETY |
| **SP4** | TRAINING & EDUCATION |
| **SP5** | DIVERSITY & EQUAL OPPORTUNITY |
| **HUMAN RIGHTS** | |
| **SP6** | INVESTMENT & PROCUREMENT PRACTICES |
| **SP7** | NON-DISCRIMINATION |
| **SP8** | FREEDOM OF ASSOCIATION & COLLECTIVE BARGAIGNING |
| **SP9** | CHILD LABOUR |
| **SP10** | PREVENTION OF FORCED AND COMPULSORY LABOUR |

| | |
|---|---|
| SP11 | SECURITY PRACTICES |
| SP12 | INDIGENOUS RIGHTS |
| **SOCIAL COMMUNITY** | |
| **SP13** | LOCAL COMMUNITY |
| **SP14** | CORRUPTION |
| **SP15** | PUBLIC POLICY |
| **SP16** | ANTI-COMPETITIVE BEHAVIOUR |
| **SP17** | COMPLIANCE |
| **PRODUCT RESPONSIBILITY - CUSTOMER HEALTH AND SAFETY** | |
| **SP18** | CUSTOMER HEALTH & SAFETY |
| **SP19** | PRODUCT & SERVICE LABELING |
| **SP20** | MARKETING COMMUNICATION |
| **SP21** | CUSTOMER PRIVACY |
| **SP22** | COMPLIANCE |

*Table 3.2.3 – Example of coding*

| **Disclosure** | **Coding Definition** |
|---|---|
| Chevron develops energy resources with a commitment to protecting the environment using world-class environmental practices and standards (Chevron, 2014 p. 7) | E8 compliance: commitment - qualitative information |
| The Foundation responded by giving a $700,000 grant to the Cruz Roja Mexicana for disaster relief (Coca-Cola Company, 2014 p. 41) | SP13 Local Community - Action; Financial information |
| In spring 2014, FedEx and Keep Indianapolis Beautiful, Inc., worked together to plant trees as part of an annual effort to restore the Fall Creek waterway in Indianapolis (FedEx, 2014 p. 60) | E10 Initiatives for environmental protection and improving – Action; Qualitative information |
| Our five-year goal is to reduce our CO2 emissions to 142 g/km (Johson and Johson, 2014 p.84) | E5 Emission, effluents & waste – Goal; quantitative information |
| Overall, both absolute energy use and absolute CO2e emissions in our assessed footprint increased 14% each from FY11 through FY15 (Nike, 2014 p. 37) | E2 Energy – Result (bad); quantitative information |
| The Home Depot Foundation (THDF) has invested $340 million in local U.S. communities since it was established in 2002 (The Home Depot, 2014 p.9) | SP13 Local Community - Action; financial information |

*Source: Personal elaboration*

After having defined the coding process, it has been applied to each one of the 47 reports of the sample. For each CSR report all sentences has been counted and codified as the example of table 3.2.5 shows. After having collected all the necessary data, is now possible to specifically define the variables corresponding to each one of the different quality's dimension of disclosure.

*Table 3.2.5 – Coding sheet example*

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **EBAY 2014** | | | | | | | | | | | |
| | csr report | yes | | | | | | | | | | |
| | GRI | no | Pagine: | 10 | | | | | | | | |
| | | Forward Looking Info | | Backward Looking Info | | | | | Type | | | |
| | | Commitment- | Goals | Actions | Results | | | | | | | |
| CODE | Presence | Expectation- | | | Good news | Bad news | Value 2013 | Value 2014 | Qualitative | Quantitative | Financial | Note (unità di misura e oggetto di disclosure) |
| 0 | 0 | | | | | | | | | | | |
| SP17 | 1 | | 1 | | | | | | 1 | | | |
| SP18 | 1 | 1 | | | | | | | 1 | | | |
| SP19 | 1 | | | 1 | | | | | 1 | | | |
| 0 | 0 | | | | | | | | | | | |
| SP17 | 1 | | | 1 | | | | | 1 | | | |
| SP18 | 1 | | | | 1 | | | | | 1 | | expand grant partners to seven |
| SP13 | 1 | | | 1 | | | | 60+ | | 1 | | organization supported for improving livelihoods for the poor |
| SP17 | 1 | 1 | | | | | | | 1 | | | |
| SP13 | 1 | | | | 1 | | | | 1 | | | |
| SP13 | 1 | | | | 1 | | | | 1 | | | |
| SP13 | 1 | | 1 | | | | | 10000+ | | 1 | | low income entrepeneurs to be helped |
| 0 | 0 | | | | | | | | | | | |
| 0 | 0 | | | | | | | | | | | |
| SP17 | 1 | | | 1 | | | | | 1 | | | |
| 0 | 0 | | | | | | | | | | | |

### 3.2.1 Independent variable definition: the disclosure indexes

In order to define a variable expressing the quality of CSR report, we have to create one index for each one of the four quality's dimensions previously identified.

***First dimension*: QUANTITY**

Under the clarity principle, the GRI G4 guidelines (2015b) specify that the information disclosed in the CSR report should be presented in a way that can be easily understood by stakeholders, in order to allow them to find the required information. Moreover, such information should not be presented together with excessive and unnecessary details. Beretta and Bozzolan (2004) also argue that relevance of information is affected by "how much it is diluted into the mass of other pieces of information disclosed" (p. 272). On the one hand, by diluting information in long stand-alone reports, companies communicate the required information, but, on the other, they make them difficult to be identified and divert the attention of the user (Cho *et al*., 2010; Merkl-Davies and Brennan, 2007).

For these reasons, following Michelon *et al*. (2015), in order to express the quantity dimension of report's quality, it has been created an index that defines the density of CSR information present in the report or in the sustainability section of the annual report. Such index is so defined:

$$\text{Density (DEN)} = \frac{\text{Number of CSR Sentences}}{\text{Total Sentences}}$$

This ratio varies between 0 and 1, where values near to 1 means a lower dilution of information (= higher number of CSR information disclosed) in the report analysed.

***Second dimension*: BREADTH**

This index wants to capture the extent, in terms of categories covered, of the information reported in the CSR report. It has been already specified that the CSR framework is composed by 32 categories in which to classify each information detected. Such categories are than grouped in five macro categories. In this perspective, the breadth index correspond to the amount of macro categories covered in the CSR report:

$$\text{Breadth (BRDTH)} = \frac{Number\ of\ Categories}{5}$$

This index ranges from 0 to 1. The closer to one the number obtained, the higher is the informative breadth of the CSR report analysed.

***Third dimension*: ACCURACY**

In order to calculate the accuracy of information disclosed, it has been decided to refer to the type of information disclosed. The information identified can be of three different natures: qualitative, quantitative and financial. Qualitative information can unlikely be verified by stakeholder whereas qualitative information, being characterized by a unit measure, can be more easily tested and verified. However, not all stakeholders are familiar with the specific unit measure (metric tons, gallons, kWh…) utilized in the report to describe the different aspects of CSR performance. In this respect, since expressed in monetary terms, financial information can be more easily understood and verified by stakeholders, as they are more confident with their unit of measure. For these reasons, in a similar way as Wiseman (1982), information are appointed with different values in respect of their different nature:

- 1 point to qualitative information
- 2 points to quantitative but non-monetary information
- 3 points to financial information, thus expressed in monetary terms

Following Michelon *et al*. (2015), the accuracy of information index is calculated as the ratio between the weighted values of all the CSR information over the total number of CSR sentences contained in the report analysed. Accuracy index is so calculated:

$$\text{Accuracy (ACC)} = \frac{\text{Qualitative info} + 2*\text{Quantitative info}+3*\text{Finanicial info}}{\text{Total CSR Sentences}}$$

This index ranges from 0 to 3: the more its values is closer to 3, the higher is the grade of verifiability and reliability of the information disclosed.

***Fourth Dimension*: MANAGERIAL ORIENTATION**

Following Michelon *et al.* (2015), this index is calculated by adapting the outlook profile measure proposed by Beretta and Bozzolan (2004). In their work, Beretta and Bozzolan (2004) propose an index that tries to capture two different dimension of the quality of the disclosed information: one is represented by the time orientation of the information (forward-looking or backward-looking), the other tries to capture the ability of the management in handling problematic situations (business performance, management's expectations, planned actions and projects, exc.).

In order to determine the managerial orientation index, it has been decided, taking inspiration from Beretta and Bozzolan's (2004) measure, to develop an index that tries to capture the extent of the time orientation of the CSR information presented in the report. In order to clarify such concept, it has been developed an information scheme in which to classify each type of information. This time taking inspiration from Michelon *et al*. (2015), the CSR information identified have been classified in two main categories, based on the time orientation of the information, namely Forward-looking (oriented to the future) and Backward-looking (oriented to the past). We could have different types of information content:

- *Commitment* – Company's dedication and responsibility toward CSR activities and practices
- *Expectations* – Company's hopes and expectations toward future possible achievements
- *Context* – Phrases who do not directly refer to the company but instead refer to the socio-competitive context in which the company operates.
- *Goals* – Company's intentions and purposes that direct and influence management's actions
- *Actions* – Acts and activities undertaken by the company in order to reach the organisation's goals and objectives
- *Results* – Consequences, effects and outcomes of company's actions

Each one of these types of information content has been assigned to one of the two time orientation categories, as showed by table 3.2.1.1

*Table 3.2.1.1 – Managerial orientation classified along time orientation*

| **Forward-looking** | **Backward-looking** |
|---|---|
| Commitment – Expectations- Context | Actions |
| Goals | Results (good/bad) |

*Source : Personal elaboration from Michelon et al. (2015)*

According to Hopwood (2009), the information disclosed in CSR reports tends to be more oriented towards strategies, intention and plans rather than on results. For this reason, with this index, it has been decided to focus the attention on backward-looking info, which are easier to verify and reflect the achievement or failures of the company in question. In this respect, the managerial orientation index will be expressed by the ratio between the total amount of backward-looking CSR information over the total amount of CSR sentences. In that way, the index is able to communicate the richness of the report in communicate about the action undertaken and the results achieved. The index is so expressed:

$$\text{Managerial Orientation (MANOR)} = \frac{Total\ backwardlooking\ info}{Total\ CSR\ Sentences}$$

Following Beretta and Bozzolan (2004), it has been decided to standardize each one of abovementioned indexes in order to avoid scale effect, so each index will varies between 0 and 1.

Now it is possible to calculate our quality of disclosure. The quality variable, which will then be the independent variable in the regression analysis, is obtained as follows:

$$\text{Quality of Disclosure} = \text{DENs} + \text{BRDTHs} + \text{ACCs} + \text{MANORs}$$

Where DENs is standardized density index, BRDTHs is the standardized breadth index, ACCs is the standardized accuracy index and MANORs in the standardized managerial orientation index. Table 3.2.1.2 summarizes all disclosure variables.

*Table 3.2.1.2 – Summary of Disclosure Variables*

| **Dimension** | **Disclosure variable** | **Formula** | **Relation with quality of disclosure** |
|---|---|---|---|
| Quantity | Density (DEN) | $\frac{\text{Number of CSR Sentences}}{\text{Total Sentences}}$ | positive |
| Breadth | Breadth (BRDTH) | Number of Categories Covered | positive |
| Accuracy | Accuracy (ACC) | $\frac{\text{Qual. info} + 2 * \text{Quant. info} + 3 * \text{Fin. info}}{\text{Total CSR Sentences}}$ | positive |
| Managerial Orientation | Managerial Orientation (MANOR) | $\frac{Total\ backwardlooking\ info}{Total\ CSR\ Sentences}$ | positive |

### 3.2.2 Dependent and control variables definition

The dependent variable of our interest will express the change in reputation that the sample companies has experienced from 2014 to 2015. More specifically, it will be calculated as follows:

$$\text{Change in Reputation} = \frac{(RQScore\ 2015 - RQScore\ 2014)}{RQScore\ 2014}$$

It has been decided to utilize the change in reputation, instead of the simple RQ Score 2015, in order to verify if the quality of the CSR disclosure, covering year 2014, can be correlated to the positive or negative change in reputation experienced by the companies from 2014 to 2015. In this perspective, also the control variables relative to CSR performance and financial performance are calculated using values referring to FY 2014 in order to verify how the results achieved during FY 2014 influences the change in reputation from year 2014 and 2015.

The control variables choice has been based on previous literature studies, most of which already mentioned throughout chapter one and two. More specifically it has been decided to include a control for environmental performance, as the previous literature finds a relation between CSR disclosure and corporate performance, even if the evidence on the sing of such relation is mixed (e.g. Cho & Patten, 2007; Clarkson *et al.* 2008; Cheng *et al*. 2014). Following Michelon et al. (2015) as well as Cheng et al. (2014) it has been decided to use as a measure of environmental performance the Thomson Reuter's ASSET4 ESG score.

Thomson Reuters ASSET4 is a Swiss-based company who is specialized in providing relevant and auditable ESG information. The ESG score provides a measure for environmental (E), social (S) and governance (G) performances of a desired company. Specially trained research analyst "collect 900 evaluation points per firm, where all the primary data used must be objective and publically available. After gathering the ESG data [..] every year, the analysts transform it into consistent units to enable quantitative analysis of this qualitative data" (Cheng *et al.,* 2014 p. 6). Figure 3.2.2.1 shows some of the dimension considered by Thomson Reuter for the calculation of the ESG score. For environmental factors, the data will usually include information on water used, energy consumption, carbon emission, amount of waste recycled and spills and pollution controversies. For social factors, the data will include information on employee turnover, accidents, injury rate, amount of women employed, donations, accidents, training hours and health and safety controversies. As for what concern the governance factors, data will typically include information on board composition, GRI guidelines, board structure and CSR external audit practices.

Specifically, for calculating the control variable for environmental performance (TOT_ES_2014), it has been decided to use the average between the Social and Environmental Pillar scores provided by ASSET4:

$$\text{TOT\_ES\_2014} = \frac{Environmental\ Score + Social\ Score}{2}$$

Another control variable utilized is the Governance score (GOV2014), measure again provided by ASSET4. It has been decided to also take into consideration such variable because, as Roberts and Dowling (2002) show, a good corporate strategy and good management helps a firm establish or maintain a good reputation. Moreover, good governance policy is also associated to environmental performance, as showed by Walls et al. (2012).

*Table 3.2.2.1 – ESG Metrics*

| ENVIRONMENTAL | SOCIAL | GOVERNANCE |
|---|---|---|
| Biodiversity Impact Reduction | Accidents Total | Anti-Takeover Devices |
| Carbon Offsets/Credits | Average Training Hours | Audit Committee Independence |
| CO2 Equivalents Emission Total | Customer Satisfaction | Board Cultural Diversity |
| Eco-Design Products | Day Care Services | Board Meeting Attendance Average |
| Energy Use Total | Donations Total | Board Member Affiliations |
| Environmental Expenditures | Employee/Contractor Fatalities | Board Member Compensation |
| Environmental Products | Employee Satisfaction | CEO-Chairman Separation |
| Environmental R&D Expenditures | Flexible Working Schemes | Classified Board Structure |
| Environmental Supply Chain Management | Health & Safety Policy | Compensation Committee Independence |
| Estimated CO2 Equivalents Emission Total | HIV/AIDS Program | CSR Sustainability Committee |
| e-Waste Reduction | Human Rights Policy | CSR Sustainability External Audit |
| Green Buildings | Improvement Tools Business Ethics | CSR Sustainability Report Global Activities |
| Hazardous Waste | Lost Time Injury Rate | Female on Board |
| Hybrid Vehicles | Lost Working Days | Global Compact |
| Non Hazardous Waste | Management Training | GRI Report Guidelines |
| Policy Energy Efficiency | Policy Child Labor | Highest Remuneration Package |
| Policy Water Efficiency | Policy Diversity and Opportunity | Policy Board Diversity |
| Renewable Energy Use | Quality Management Systems | Policy Board Experience |
| Targets Emissions | Supply Chain Health & Safety Training | Policy Board Independence |
| Waste Recycling Ratio | Total Injury Rate | Policy Board Size |
| Waste Total | Trade Union Representation | Policy Equal Voting Right |
| Water Pollutant Emissions | Training Costs Total | Shareholders Vote on Executive Pay |
| Water Recycled | Turnover of Employees | Voting Cap Percentage |
| Water Technologies | Women Employees | Staggered Board Structure |
| Water Withdrawal Total | Women Managers | Veto Power or Golden Share |

*Source: http://financial.thomsonreuters.com/content/dam/openweb/documents/pdf/financial/esg-research-brochure.pdf*

Aside from socio-environmental performance measures, another group of control variables is the one reflecting company's financial performance. For the purpose of this work, the two chosen control variables for expressing company's financial performance are leverage (LEV2014) and Return on Equity (ROE2014). This decision has been made since previous studies (Brammer and Millington, 2005; Brammer and Pavelin, 2006; Cho et al., 2010) have shown that financial performance is correlated both to perceived reputation and environmental disclosure.

Then, another control will be that of company's size since it has been found to be positively associated to environmental disclosure (Patten, 1992; Cho et *al*., 2010; Cho and Patten, 2007). This control variable has been measured as the natural logarithm of total revenues:

$$Size = \ln (Revenues)$$

At last, it has been created a dummy variable that equals 1 if the company self-declarate its adoption of the GRI guidelines an 0 otherwise:

$$GRI = 0 \; ; \; GRI = 1$$

Table 3.2.2.1 summarises all the variable that have been previously specified.

*Table 3.2.2.1 - Summary of variables constructed*

| | | |
|---|---|---|
| **Dependent variable** | Change in reputation | $\frac{(RQScore\ 2015 - RQScore\ 2014)}{RQScore\ 2014}$ |
| **Independent variable** | Quality of Disclosure | DENs + BRDTHs + ACCs + MANORs |
| **Control variables** | Socio environmental performance | $\frac{Environmental\ Score + Social\ Score}{2}$ |
| | Governance | GOV2014 |
| | Financial performance | ROE2014<br>LEV2014 |
| | Size | Size = ln (Revenues) |
| | GRI | GRI = 0 ; GRI = 1 |

*Source : Personal elaboration*

Now that all the variables have been specified and calculated, we can perform the multivariate analysis with OLS regression estimator and discuss the result obtained.

## 4. Empirical Evidence

This chapter presents the result obtained with multivariate analysis using OLS regression estimation. In the first part, descriptive statistics are presented and analysed, highlighting companies reporting practices and describing the dependent variables. After that, it is presented the correlation matrix expressing the association between the different variables. The core of the chapter is devoted to the presentation of the two main model of multivariate analysis and to the discussion of the result found. Moreover, an additional analysis has been carried out in order to check for industry membership. Such analysis should be read in a careful way since some limitations are provided. At last, are presented the main contributions that this work can give as well as its major limitations.

### 4.1 Descriptive results

Table 4.1.1 summarises descriptive statistics for the sample companies reporting practices. Here are reported the distributions for the different categories in which the sentences have been categorized, and for the total amount of both significant and non-significant phrases.

*Table 4.1.1 – Summary statistics of reporting practices*

| | N. of Obs. | Mean | Median | Std. Dev. | Min | Max |
|---|---|---|---|---|---|---|
| Tot. Sentences | 47 | 736.829 | 676 | 482.830 | 46 | 1699 |
| Tot. CSR Sentences | 47 | **377.297** | **316** | **249.519** | **13** | **960** |
| Pages | 47 | 59.319 | 60 | 34.427 | 6 | 122 |
| Tot. Commit/Expect | 47 | 76.085 | 67 | 58.244 | 3 | 323 |
| Tot. Goals | 47 | 16.319 | 11 | 17.245 | 0 | 65 |
| Tot. Actions | 47 | **162.489** | **154** | **107.288** | **6** | **447** |
| Tot. Good Results | 47 | 110.319 | 93 | 82.137 | 4 | 374 |
| Tot. Bad Results | 47 | 12.085 | 5 | 17.487 | 0 | 80 |
| Tot. Qualitative | 47 | **255.893** | **219** | **175.696** | **5** | **718** |
| Tot. Quantitative | 47 | 100.957 | 80 | 79.956 | 4 | 365 |
| Tot. Financial | 47 | 20.446 | 17 | 19.096 | 0 | 100 |
| Tot. Qualit. Forward. | 47 | 80.382 | 71 | 59.848 | 1 | 312 |
| Tot. Quant/Fin Forward. | 47 | 11.978 | 8 | 10.987 | 0 | 38 |
| Tot. Qualit. Backward. | 47 | **175.510** | **156** | **121.8076** | **3** | **529** |
| Tot. Quant/Fin Backward | 47 | 109.425 | 96 | 80.915 | 7 | 356 |

From the table it can be observed that on average firms report 377 sentences with CSR information over an average total of 737 phrases (51% of relevant information on average in a report). This suggest that CSR information disclosed are quite diluted with other irrelevant pieces of information. Such result is in line with the ones reported by Michelon *et al.* (2015). The average length of the CSR reports analysed is of 59-60 pages, with a minimum of 6 pages registered from the sustainability section of General Electrics' annual report, and a maximum of 122 pages registered for Johson & Johson. In general, the majority of CSR information disclosed concerns Actions taken by the companies, representing on average the 43% of tot CSR sentences. Actions are then followed by Good Results (30%), Commitment and Expectation (20%), Goals (4%) and Bad Results (3%). Is it interesting to note the great disparity between the amount of good results communicated over the bad ones (30% vs. 3%). This result can let us to suppose that companies decide to report positive information and improvement, in order to make a good impression to stakeholders' eyes. This assertion is in line with Adams (2004, Cited in Mahoney, 2012) who proposes the example of a company that, in order to "cover" its poor environmental performance, tends to mention only its good CSR actions and results. On the same line is Cho (2010), who suggests and find evidence that companies with worst environmental performances tend to use a more optimistic tone, highlighting good results, in order bias the message reported in their CSR disclosures. Moreover, the majority of CSR sentences reports qualitative information, while an average of 27% and 5% are respectively quantitative and financial. For what concern the time orientation of the CSR information disclosed, the majority of sentences are backward-looking orientated (76%) in respect to forward-looking ones (24%). Such results are in contrast with Michelon *et al.* (2015) and do not sustain Hopwood's (2009) hypothesis that information disclosed in CSR reports tends to be more oriented towards strategies, intention and plans rather than on results.

Table 4.1.2 summarizes how to obtain the four quality's dimension and how it has been calculated the dependent variable (for details on the control variables see chapter 3).

*Table 4.1.2 – Summary of dependent and independent variables construction*

| Variable | Name | Formula |
|---|---|---|
| Quantity | Density (DEN) | $\frac{\text{Number of CSR Sentences}}{\text{Total Sentences}}$ |
| Breadth | Breadth (BRDTH) | Number of Categories Covered |
| Accuracy | Accuracy (ACC) | $\frac{\text{Qual. info} + 2 * \text{Quant. info} + 3 * \text{Fin. info}}{\text{Total CSR Sentences}}$ |

| | | |
|---|---|---|
| Managerial Orientation | Managerial Orientation (MANOR) | $\frac{Total\ backwardlooking\ info}{Total\ CSR\ Sentences}$ |
| Quality of Disclosure | Quality_discl | DENs + BRDTHs + ACCs + MANORs |
| Change in reputation | Ch. Rep. | $\frac{(RQScore\ 2015 - RQScore\ 2014)}{RQScore\ 2014}$ |

Table 4.1.2 reports the descriptive statistics of the four quality's dimension indexes and the independent variable of quality, the dependent and control variables, and RQ scores 2015 and 2014.

*Table 4.1.2 – Descriptive statistic independent and control variables*

| | N. of Obs. | Mean | Median | Std. Dev. | Min | Max |
|---|---|---|---|---|---|---|
| Density | 47 | 0.526 | 0.534 | 0.120 | 0.101 | 0.769 |
| Breadth | 47 | 0.927 | 1 | 0.147 | 0.4 | 1 |
| Accuracy | 47 | 1.420 | 1.377 | 0.188 | 1.125 | 1.970 |
| Managerial Orientation | 47 | 0.742 | 0.762 | 0.093 | 0.441 | 0.875 |
| Quality of disclosure | 47 | 2.560 | 2.588 | 0.363 | 1.699 | 3.379 |
| RQ Score 2015 | 47 | 71.741 | 72.8 | 6.582 | 56.26 | 83.03 |
| RQ Score 2014 | 47 | 71.28 | 73.16 | 7.245 | 55.07 | 80.88 |
| Change in Reputation | 45* | 0.008 | 0.002 | 0.039 | -0.062 | 0.107 |
| Tot_ES_2014 | 47 | 76.825 | 80.072 | 14.665 | 33.999 | 95.122 |
| Governance2014 | 47 | 80.436 | 84.428 | 16.803 | 3.654 | 96.02 |
| ROE2014 | 47 | 0.158 | 0.143 | 0.156 | -0.607 | 0.424 |
| Leverage2014 | 47 | 1.236 | 0.89 | 1.675 | 0.09 | 9.21 |
| Size | 47 | 11.036 | 10.883 | 1.144 | 9.058 | 16.405 |
| GRI | 47 | 0.702 | 1 | 0.462 | 0 | 1 |

**here we have two missing observations since two of the sample's companies where not present in the 100 most visible companies of 2014, namely Tyson Foods and Capital One Financial Corp.*

As we can see from the table, sentences containing CSR information represent on average the 53% of the total amount of sentences present in the report, with a minimum of 10% of CSR sentences registered in the sustainability section of General Electrics' annual report, and a maximum of 77% of CSR sentences registered in Apple's environmental sustainability report. Breath dimension show us that, on average, the sample's companies tent to touch all the

5 categories proposed by GRI framework. For what concern the third quality's dimension, it can be observed a low average level in the accuracy of the information, since the average accuracy index is of 1.4 over a maximum of 3. This is in line with the previously analysed reporting practices, where the amount of qualitative information outweigh quantitative and financial ones. Looking at the average level of perceived reputation is quite stable over the two years, between 71% and 72% in 2014 and 2015 respectively. This is also showed by the mean value of our dependent variable, change in reputation (0.008). For both the two years considered, the worst reputation performing firm is Halliburton with an RQ Score of 56.26 in 2015 and of 59.63 in 2014, whereas the best one is Apple with an RQ Score of 83.03 in 2015 and 80.69 in 2014. In respect to socio-environmental performance and governance scores, it can be said that sample's companies show good performance and governance levels overall.

Table 4.1.3 present univariate correlations coefficients, which do not indicate relative multicollinearity issues in the variable included. In order to test for multicollinearity it has been performed the Variance Inflator Factor (VIF). A maximum VIF factor in excess of 10 is generally associated to possible multicollinearity influencing the least square estimate. Since in this case the maximum value of VIF is 1.63, it has been concluded that multicollinearity will not be a problem.

*Table 4.1.3 – Correlation Matrix*

| | *Change_rep* | *Quality_discl* | *Density* | *Breadth* | *Accuracy* | *Man_Or* | *TOt_ES_2014* | *GOV2014* | *ROE2014* | *LEV2014* | *Size* | *GRI* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ch_rep | 1 | | | | | | | | | | | |
| Quality_ discl | 0.0674 | 1 | | | | | | | | | | |
| Density | -0.0921 | 0.4333*** | 1 | | | | | | | | | |
| Breadth | -0.1543 | 0.3656* | 0.0983 | 1 | | | | | | | | |
| Accuracy | 0.2434 | 0.2750* | -0.1138 | -0.5618*** | 1 | | | | | | | |
| Man_Or | 0.1287 | 0.6270*** | -0.1010 | -0.0205 | 0.1641 | 1 | | | | | | |
| Tot_ES_2014 | -0.2575* | 0.0519 | -0.0479 | 0.2828* | -0.0269 | -0.1663 | 1 | | | | | |
| GOV2014 | 0.0405 | 0.0318 | 0.0981 | -0.1648 | 0.2597* | -0.1103 | 0.0048 | 1 | | | | |
| ROE2014 | -0.3940**: | -0.0028 | 0.2345 | 0.0314 | -0.0685 | -0.1665 | 0.0253 | 0.0912 | 1 | | | |
| LEV2014 | 0.2316 | -0.1999 | -0.2195 | -0.1022 | 0.0008 | -0.0381 | 0.0660 | 0.0266 | 0.104 | 1 | | |
| Size | 0.0538 | -0.0515 | -0.1380 | 0.0564 | 0.0063 | -0.0419 | 0.2209 | -0.3478** | 0.0055 | -0.0506 | 1 | |
| GRI | 0.094 | -0.0923 | -0.2722* | 0.1239 | 0.0125 | -0.0817 | 0.4838*** | -0.1548 | -0.1888 | -0.0424 | 0.1833 | 1 |

* $p < 0.1$
** $p < 0.05$
*** $p <0 .01$

First, as we can see from the Correlation Matrix, the quality of disclosure is positively correlated with the change in perceived reputation, yet not significant. An opposite result is given by the correlation between the change in perceived reputation and the socio-environmental performance of the company. These two variables are negatively and significantly correlated, although the correlation is not so strong. This means that as the change in reputation increases, the level of socio-economic performance decreases. This can let us suppose that a better level of socio-environmental performance does not implies a higher level of perceived reputation among the general public. The same can be said for the correlation between the change in perceived reputation and the values of company's ROE. Is worth to be noted that the four quality's dimensions (Density, Breadth, Accuracy and Managerial Orientation) are positively and significantly correlated with the quality of the disclosure, as expected. In particular, two dimensions, Density and Managerial Orientation, are strongly and positively correlated with the quality of disclosure, with a 1% level of significance. This means that the higher is the quantity of CSR information disclosed and the higher such information are about actions and results achieved, the higher is the quality of disclosure. Worth of mention is also the relation between Accuracy and Breadth. These two variables are positively and significantly correlated at a 1% significance level. This means that the more accurate the disclosure is, the higher tends to be the number of categories themes (environmental, labour practices, social community and product customers' health & safety) covered. All the four quality's dimensions do not show any correlation with the other control variables except from Breadth, that show a positive correlation with socio-environmental performance, and Accuracy that is positively correlated to governance score. The adoption of GRI guidelines is positively and significantly correlated with the level of socio-economic performance. At last, the company's size is negatively and significantly correlated with the governance score.

### 4.2. Multivariate Analysis

Now that we have a more clear picture of companies reporting practices and of how our variables interacts between one another, we can perform our multivariate analysis following two different models:

*Model 1 (I)*: First OLS regression analysis is presented in order to investigate which is the relation between the change in perceived reputation and the quality of disclosure.

$$\text{Ch. Rep.} = \beta_0 + \beta_1\text{Quality\_discl} + \beta_2\text{Tot\_ES\_2014} + \beta_3\text{GOV2014} + \beta_4\text{ROE2014} + \beta_5\text{LEV2014} + \beta_6\text{Size} + \beta_7\text{GRI} + \varepsilon$$

*Model 2 (II)*: Then the same OLS regression analysis is repeated, but this time the quality of disclosure is disaggregated in his four dimensions, in order to check how each of them is related with the change in perceived reputation:

$$\text{Ch. Rep.} = \beta_0 + \beta_1 DEN + \beta_2 BRDTH + \beta_3 ACC + \beta_4 MANOR + \beta_5 Tot\_ES\_2014 + \beta_6 GOV2014 + \beta_7 ROE2014 + \beta_8 LEV2014 + \beta_9 Size + \beta_{10} GRI + \varepsilon$$

Both the two models are run with robust standardized errors. Table 4.2.1 present the result of the two models (in the following page).

In model one (I), the quality of disclosure results to be positively associated with the change in perceived reputation, with a 5% level of significance. On the contrary, the company socio-economic performance is negatively associated with the change in perceived reputation, with a 1% level of significance. The variable expressing company's level of governance is positively and significantly associated to the change in perceived reputation, with a 10% level of significance. As for financial performance variables, ROE2014 is negatively and significantly associated to the change in perceived reputation, whereas the association is positive and significant for LEV2014. Moreover, size result not to be significantly associated with the reputational change. At last, the dummy variable expressing the adoption of GRI guidelines (GRI), result in a positive association with the change in perceived reputation, at a 5% level of significance.

Model 2 (II), other than reaffirming the same results for the control variables, give us an insight on the association between the change in perceived reputation and the four dimensions composing the quality of disclosure. Density (DEN) result not to be significantly associated to reputational change, as well as breadth and managerial orientation. The only quality's dimension that result in a positive and significant association with the change in perceived reputation is Accuracy (ACC), with a 5% level of significance.

*Table 4.2.1 – Multivariate analysis results*

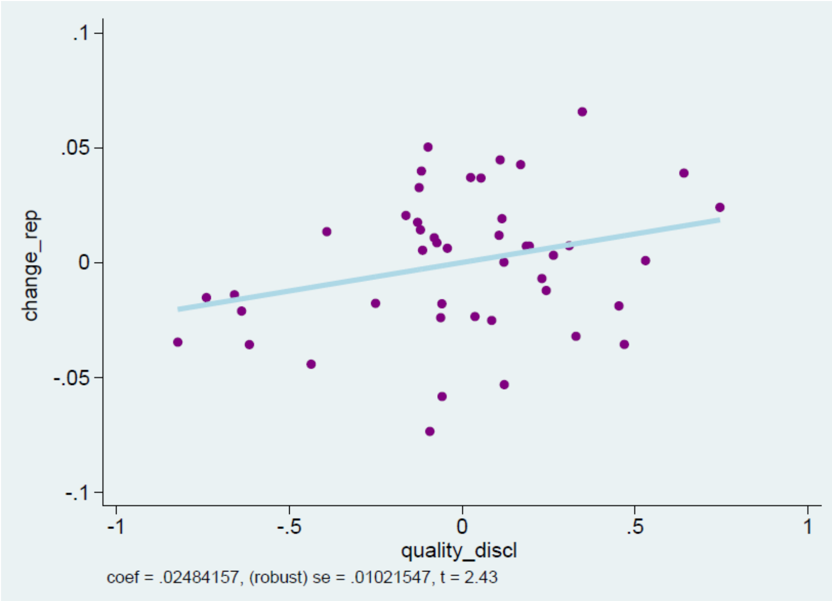
| Independent Variable = Ch. In rep | | |
|---|---|---|
| **Variables** | **Model (I)** | **Model (II)** |
| Qualiy_discl | **0.2484**** | |
| | **[0.020]** | |
| DEN | | 0.0664 |
| | | [0.127] |
| BRDTH | | 0.0049 |
| | | [0.549] |
| ACC | | **0.0719**** |
| | | **[0.035]** |
| MANOR | | 0.0245 |
| | | [0.602] |
| Tot_ES_2014 | **- 0.0014***** | **- 0.0015***** |
| | **[0.003]** | **[0.005]** |
| GOV2014 | **0.0003*** | 0.0001 |
| | **[0.085]** | [0.647] |
| ROE2014 | **- 0.0933***** | **-0.0948***** |
| | **[0.000]** | **[0.000]** |
| LEV2014 | **0.0084***** | **0.0087***** |
| | **[0.003]** | **[0.001]** |
| Size | 0.0061 | 0.0054 |
| | [0.144] | [0.254] |
| GRI | **0.2832**** | **0.0312***** |
| | **[0.017]** | **[0.009]** |
| Constant | - 0.0559 | **- 0.1398***** |
| | [0.294] | **[0.043]** |
| Observations | 45 | 45 |
| R-squared | 0.4304 | 0.4791 |

*P-values in brackets*

* *p < 0.1*
** *p < 0.05*
*** *p <0 .01*

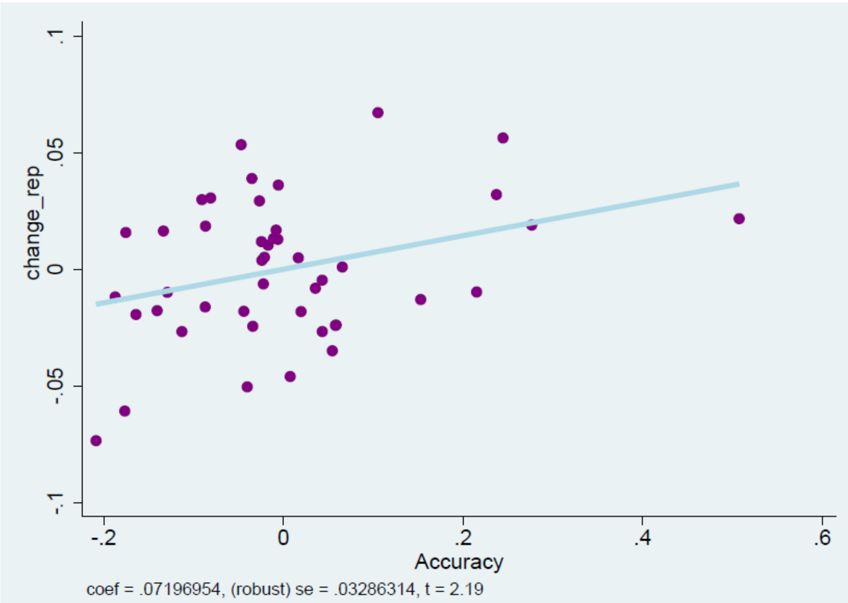
Figure 4.2.2 show the scatterplot that graphically depicts the association between the change in reputation and the quality of disclosure. Figure 4.2.3 show the scatterplot that graphically depicts the association between the change in reputation and the Accuracy dimension of the quality of disclosure. Figure 4.2.3 shows the negative correlation between the change in perceived reputation and socio-economic performance.

*Figure 4.2.2 – Scatterplot ch.rep/quality_discl*



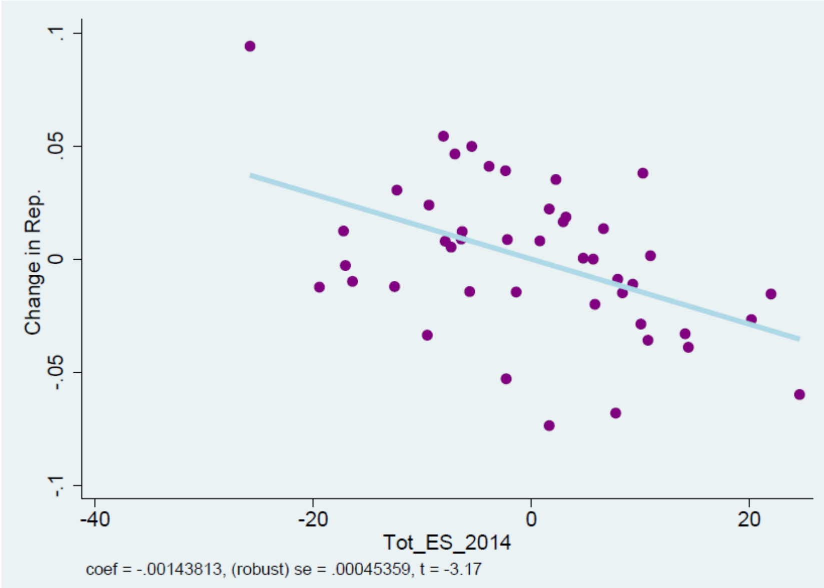

*Source: personal elaboration*

*Figure 4.2.2 – Scatterplot ch.rep/Accuracy*




*Source: Personal elaboration*

*Figure 4.2.2 – Scatterplot ch.rep/Tot_ES_2014*




*Source: Personal elaboration*

### 4.2.1 Discussion

The aim of this work was to investigate if the quality of CSR disclosure can be a factor that influences firms' perceived reputation. From the results obtained, it can be sustained that a better quality of disclosure will result in a positive change in perceived reputation. From that, the quality of disclosure seems to positively affect the perceived reputation of a company. This is showed in Model 1 (I) by the positive association between quality of disclosure and the change in perceived reputation, with a 5% level of significance. Such result is in line with previous researches, in particular with the work presented by Toms (2002), who also found empirical evidence that quality of disclosure has paybacks in terms of reputation. In order to further investigate the effect that quality has on reputation, we have to look at Model 2 (II), where the association between quality of disclosure and reputation is expressed through the four quality's dimensions. We can see that the only dimension that is significantly associated with the change in perceived reputation is that of Accuracy (p-value 0.035). As previously explained in chapter 3, the accuracy dimension expresses the type of information disclosed, namely qualitative, quantitative or financial. The positive and significant association between those two variables let us assume that a higher degree of accuracy in disclosed information correspond to a higher perceived reputation. In accordance with this work's specification of the accuracy dimension, a higher level in disclosure accuracy means that the amount of quantitative and financial information reported is higher than qualitative ones. Previous researches (Beretta and Bozzolan, 2004; Michelon et *al.* 2015) stressed the importance of "what" is disclosed and "how" the info is disclosed, and the relative importance to be attributed to the quantity of disclosure. In this respect, because results show a positive and significant association between the accuracy of information disclosed and perceived reputation, and a positive and significant association between quality of disclosure and perceived reputation, we can assume that the companies analysed use CSR disclosure in order to improve their perceived reputation. From the results in Model 2 (II), which present evidence that quantity of information disclosed (density) is not significantly associated with perceived reputation, it can be sustained that the volume of disclosure alone is not sufficient for creating or influencing perceived reputation. Such result is in line with what sustained by Toms (2002) and with the result provided by Hasseldine *et al.* (2005) who sustain that managers "should pay careful attention to the quality rather the mere quantity of disclosure" (p. 244). Moreover, from the result obtained we can say that the quality of disclosure, and to a major extent corporate disclosure in general, can be used as a way to manage reputation. Such assertion is in line with previous literary works (Bebbington et *al.* 2008; Axjonow *et al.*, 2016; Cho *et al.* 2011) sustaining that corporate disclosure can be used as a tool for managing reputation risk and that it is positively perceived by the public as a signal of CSR engagement.

Another interesting result is the negative association between socio-environmental performance and perceived reputation. At a first sight, this result is not what someone could expect. In fact, Brammer and Pavelin (2006) showed evidence of a positive and significant relation between social performance and reputation, if social reputation is considered in all of its dimensions. In their work, social performance is composed of three attributes: employment, environment and community. Similarly is constructed our Tot_ES_2014, since ASSET4's Social Pillar also includes in his composition labour practices and working conditions as well as community initiatives. Brammer and Pavelin (2006) finds that if social performance in considered by keeping distinct all its three dimensions, the result of the association with perceived reputation varies. Specifically they found that "environmental performance is predicted to harm reputation" (p. 449) in specific industrial sectors. Such result can be considered in line with the one reported by Model (I) and (II). In fact, the association between the socio-environmental performance and perceived reputation is negative, with a 1% level of significance in both models. From these results, it seems that reputation is not influenced by real socio-environmental performance. More specifically, such results seems to tell us that, from a reputational point of view, it seems to be more relevant what a company decides to disclose rather than what a company effectively does in practice. In this respect, this association is coherent with the previous results obtained and with what previous literatures sustains (Bebbington *et al*., 2008; Axjonow et al., 2016; Cho *et al*. 2011; Hooghiemstra, 2000; KPMG, 2015), namely that corporate disclosure is more used as a legitimizing and reputational risk tool, rather than an instrument for effectively disclose about actions implemented or results achieved. Obviously, it is recognized that this is a strong assumption to be sustained, especially since there is little evidence of further literary support.

Another result worth of mention is the association between the adoption of GRI guidelines and perceived reputation. Both the model report a positive and significant association, with a 5% level of confidence in Model 1 (I) and a 1% level of confidence in Model 2 (II). This means that a company's decision to adopt the GRI guideline seems to be positively perceived by the public opinion and, consequently, the perceived reputation of a company increases. This is in line with the results showed by Nikoleava and Bicho (2011), who sustain that the more a company is visible, the higher is the probability of adoption of the GRI framework. Moreover, they also sustain that there is great chance that multiple stakeholders will reward companies adopting GRI framework, as it is perceived as a legitimation token. From this perspective, the result obtained seems to confirm such assertion. The fact that more and more companies tend to adopt GRI guidelines (KPMG, 2011), is directly reflected in our sample were 70% percent of the companies considered follows such guidelines. Moreover, since the Models (I & II) show evidence that the adoption of GRI guidelines is positively associated to perceived reputation, it can be sustained that companies decide to adhere to GRI initiative in order to increase their reputation and to be part of a sort of "sustainable community" where non adopters are seen in a negative way.

At last, it is not found significant association between firm's size and perceived reputation. This result is in line with previous literature contributions such as Brammer and Pavelin (2006), Toms (2002) and Hasseldine et al. (2005).

### 4.3 Additional analysis: Controlling for industry membership

One objection that could be made to the abovementioned models is that they do not control for industry sector, since previous works showed the significant association between reputation and industry sectors as well as the association between disclosure practices and industry sectors

(Brammer and Pavelin, 2006; Brammer and Millington, 2005). On the other hand, Toms (2002), finds that "industry membership has a neutral impact, with firms in ES industries having to work harder at creating and maintaining reputation through disclosure activities" (p. 275).

For that reason, it has been decided to control for industry membership as an additional analysis. We divided the total of industry sectors identified (see figure 3.1.4, chapter 3) in seven categories. For each one of these categories, it has been created a dummy variable, which takes a value of 1, if the company belongs to that particular industry and 0 otherwise. Such new variables will be added to Model 1 (I), and will end up constructing out Model 3 (III):

$$\text{Ch. Rep.} = \beta_0 + \beta_1 DEN + \beta_2 BRDTH + \beta_3 ACC + \beta_4 MANOR + \beta_5 Tot\_ES\_2014 + \beta_6 GOV2014 + \beta_7 ROE2014 + \beta_8 LEV2014 + \beta_9 Size + \beta_{10} GRI + \beta_{11} Ind.1 + \beta_{12} Ind.2 + \beta_{13} Ind.3 + \beta_{14} Ind.4 + \beta_{15} Ind.5 + \beta_{16} Ind.6 + \beta_{17} Ind.7 + \varepsilon$$

As we can see from the result obtained (see table 4.3.1 in the following page), all industry sectors does not show a significant association with perceived reputation, in line with the result found by Toms (2002). The only exception is represented by the Industry sectors 6, who shows a positive association with perceived reputation, with a 1% level of significance. Companies belonging to Financial, Insurance and Real Estate sectors, compose the group of Industry 6. Such results let us assume that companies belonging to such sectors are perceived as more committed to CSR efforts or more responsible by the general public.

Is important to specify that this last analysis in particular is not without some limitations. Specifically we are conscious of the fact that using a high amount of dummies in such a small sample can create some multicollinearity problems. For this reason it has been run the Variance Inflator Factor (VIF), in order to check for multicollinearity. Since the highest VIF is of 5.05, we could have some multicollinearity problems. For that reason, such results should be interpreted in a careful way. Again, such additional analysis was carried out in order to investigate how ours results would change by taking into consideration industry membership, with all the limitation of the case.

At last, for what concerns the other variables, the results previously obtained in Model (I) and (II) are confirmed in Model (III). In particular, quality of disclosure is again positively and significantly associated to perceived reputation, even if the level of significance as moved to 10%. This seems to imply that when considering also industry membership, the quality of disclosure has a weaker "effect" on perceived reputation.

*Table 4.3.1 – Additional analysis results*

| Independent Variable = Ch. In rep | |
|---|---|
| **Variables** | **Model (III)** |
| Qualiy_discl | **0.0213*** <br> **[0.075]** |
| Tot_ES_2014 | **- 0.0012**** <br> **[0.004]** |
| GOV2014 | **0.0004**** <br> **[0.047]** |
| ROE2014 | **- 0.0888***** <br> **[0.000]** |
| LEV2014 | **0.0064***** <br> **[0.001]** |
| Size | 0.0050 <br> [0.218] |
| GRI | **0.0227**** <br> **[0.045]** |
| Ind. 1 | - 0.2966 <br> [0.168] |
| Ind. 2 | 0.0061 <br> [0.701] |
| Ind. 3 | 0.0163 <br> [0.145] |
| Ind. 4 | 0.0034 <br> [0.733] |
| Ind. 5 | - 0.149 <br> [0.224] |
| Ind. 6 | **0.0331***** <br> **[0.008]** |
| Ind. 7 | 0 (omitted) |
| Constant | - 0.0582 <br> [0.271] |
| Observations | 45 |
| R-squared | 0.6030 |
| *P-values in brackets* | |
| * | *p < 0.1* |
| ** | *p < 0.05* |
| *** | *p <0 .01* |

### 4.4 Limitations and contributions

This work does not come without limitations. First, the sample size. Unfortunately, the majority of the 100 Most visible companies did not have a stand-alone report or a specific sustainability section in the annual report. Most of them disclosed their CSR information directly on-line, on their main site. It has been argued that considering also on-line reported information would have resulted in a too complicated procedure to be implemented in such a quite limited amount of time. Since the dimension of the sample considered, the extent to which the associations found hold in other settings cannot be generalized.

A second limitation is the subjectivity factor characterizing the process of content analysis. In fact, deciding whether an information is relevant or not (assign it score 0 or 1), or deciding which is the right category in which to assign it, depends on the interpretation of the coder. However, conscious of that, before starting the process of content analysis it has been decided to confront the ability of the coder with a previous work, in order to see if this method could have been used also in this work. Such decision allowed to evaluate which was the best approach to be used and allowed to identify what could have been improved in order to carry out the content analysis in the best way possible. Moreover, in this preliminary procedure, the result of the "pilot coding" has been confronted with the result obtained by another coder, in order to evaluate the consistency and the replicability of the content analysis. Such sagacity allowed to perform a content analysis that has resulted to be even more accurate that the one previously performed by the other coder. It should be noted that the coding process is a "highly repetitive task tasks who requires strenuous attention to details" (Krippendorff, 2004). For this reason, human error should be taken into consideration, but at the same time, since the content analysis has been carried out by the same person, the data have been recorded in a consistent and coherent way throughout all the reports analysed. Moreover, in order to mitigate such methodological limitation, it has been decided to clearly specify each passage of the coding process. In this respect, as described in chapter 3, the rules decided to be applied are quite strict and try to standardize as much as possible the different narratives ways in which the information can be reported (phrases, graphs, tables). A research methodology, in order to be considered of good quality, should be replicable (Krippendorff, 2004). This work has tried to provide guidelines for a coding procedures that can be used, and thus replicates in other researches.

Despite such limitations, it is believed that this works provided also some valuable suggestions.

First, it has been developed a comprehensive framework by which to interpret the quality of social and environmental disclosure. It has been proposed a view of quality of disclosure that is in line with previous literary works (Beretta and Bozzolan, 2004; Michelon *et al.*; 2015; Toms, 2002) who perceive quality not merely as a quantitative measure but as a multitude of attributes that taken together express the different aspects of the concept of quality of disclosure. This work tried to express such vision by identifying the four quality dimensions of quantity, breadth, accuracy and managerial orientation. The result found by the two previously analysed model seems effectively to be in line with such assertions.

Second, this work tried to investigate the relationship between perceived reputation and the quality of disclosure specifically. Such field of research, in these specific terms, has not been so broadly investigated yet. For what it is known, it is quite difficult to find a consistent amount of previous works that study specifically the quality of CSR report in relation with reputation. In fact, the majority of studies tend to focus their attention on only one of the two aspects. Non the less, our results are in line with the one presented by Toms (2002), who investigated the determinants of corporate environmental reputation by finding a positive association between quality of disclosure and reputation. In this respect, the results found can be a valuable insight from which to conduct further investigation is such field.

Third, the result founded suggest that the adoption of GRI guidelines can be used as a legitimation token. Such result is in line with the result found by Nikoleava and Bicho (2011). However, it should be furtherly investigated if companies do adopt GRI guidelines only for reputational reasons or because such frameworks effectively helps companies to disclose in a better and more reliable way.

At last, the strongest assumption sustained in this work is the negative association between perceived reputation and socio-environmental performance. Conscious of the little literary support found, it has been decided to propose such an assertion in order to have a new perspective on the relation between the effective socio-environmental performance of companies and the perceived reputation together with the quality of reports. Such a result can be a way of interpreting different activities, such as the greenwashing, that still are difficult to be detected. In this respect, having found such a contradictory result, can effectively become a starting point for a more critic approach in the investigation of the relationship of CSR performance with both corporate reputation and disclosure practices.

## Conclusion

The purpose of this work was to investigate the relationship between CSR disclosure, with a special focus on the quality of disclosure, and corporate reputation, in order to understand if companies used CSR reporting practices as an instrument through which manage their reputations.

Nowadays, the majority of companies engage in some type of CSR activities for different reasons. Has highlighted in this work, the starting assumption that drives companies decision to invest in CSR activities is that society expect them to do so. From such perspective, companies can use CSR activities in order to communicate with the society and to protect their legitimacy by acting as "good citizens". In this perspective, CSR activities can be interpreted in reputational terms. In fact, as reported by KPMG survey (2013), the majority of managers conceives CSR as fundamental for company's reputation protection. This because society judges business not only for their financial position but also for their social activities or their environmental policies. For these reasons, companies are more and more attentive to CSR practices and on how they are perceived by the public.

Throughout this work, we saw that, in general, CSR engagement tend to be positively perceived by the public, but at the same, we also saw how difficult is for stakeholders or other audiences to access the right information in order to evaluate a company CSR performance. One of the major tools used by companies to communicate to stakeholders and other audiences about their CSR practices is that of CSR disclosure. As for CSR in general, also CSR disclosure practices are interpreted in different ways, as showed by the literary review previously proposed. In fact, CSR disclosure can be seen as a communication tool aimed at communicating CSR engagement to stakeholders, as a reputational instrument through which companies shapes and influences public opinion or even as a way to hide a poor environmental performance through the practice of greenwashing.

The open debate on CSR disclosure interpretation derives from the fact that is not easy to access the quality of such reports. First, there are not standardized requirements governing the disclosure process, as we have in accounting with the IFRS. One attempt in order to try to fix this problem is provided by GRI with its guidelines. In general, companies' adoption of GRI guidelines seems to be perceived as an attempt to communicate the belongings to the "responsible community" of disclosing companies and as a legitimation token. Second, defining the concept of quality of disclosure is not easy. Once again, the previous discussion showed that the main debated is whether the quality of disclosure can be accessed through the quantity of information disclosed or if it should reflect different dimensions such as the quality and the type of information disclosed.

In this work, the quality of disclosure is expressed by different dimensions that, taken together express the multi-dimensionality of this concept. In this perspective, considering quantity alone seemed not appropriate. In fact, a higher amount of information disclosed does not necessarily means a higher quality of disclosure. This because is important to evaluate which type of information are reported. In fact, is not easy for readers to appreciate a company effort in CSR activities if the amount of relevant CSR information is too poor compared to the length of the report. For this reasons, CSR disclosure is frequently perceived more as an impression management tool rather than an accountability one. Starting from such debate, this work propose a framework aimed at measuring the quality of disclosure. According to such framework, the quality of disclosure is composed of four dimensions, namely quantity, breadth, accuracy and managerial orientation.

Starting from such a complex debate, this work aimed at evaluating if CSR disclosure can be used as an instrument for shaping corporate reputation. In order to do that, it has been decided to measure corporate reputation through Harris Poll reputational ranking (RQ Score). In particular, we focused our attention on the 100 most visible companies and we selected for our sample listed companies who publish CSR reports (or have a section dedicated to sustainability in the annual report). We ended up with 47 companies that differ from one another for several reasons. They are heterogeneous with respect to industry belonging (14 sectors identified), company size and report's length. Once the sample has been identified and once the quality of disclosure has been defined, we performed a multivariate analysis in order to evaluate if the quality of disclosure can influence a company's reputation.

The results obtained show a positive and significant correlation between the quality of disclosure and perceived reputation that let us assume that quality of disclosure can influence a company's perceived reputation. Moreover, the significant association between the Accuracy dimension of disclosure and perceived reputation let us suppose that companies analysed use CSR disclosure as a tool for managing their reputation.

A second interesting result is represented by the negative association between company's reputation and its socio-environmental performance. Our result suggest that form a reputational point of view it seems more important what a company declares in its report instead of what it effectively achieves. We are conscious of the strength of such assertion, but we think that it can stimulate further research on this negative relationship.

To sum up, what emerges from this work seems to confirm the perception that CSR disclosure is effectively used as a way to manage a company's public image. CSR practices nowadays are deeply-rooted in companies overall strategies because, has showed throughout this work, this is what society expect from them. Form our results, however, it seems that companies engage in CSR activities not only to sustain the desire to “leave a better world” to the future but, most of all because society expect them to do so and by showing their socio-environmental commitment, companies are able to protect their reputation or even improve it.

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