

**REPORTING CORPORATE SOCIAL RESPONSIBILITY: THE CONTENT
ANALYSIS OF CEO STATEMENTS IN ROMANIAN ANNUAL REPORTS**

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Abstract

While corporate communication has been widely acknowledged as being important for the well-functioning and image-building of companies, current understanding of sustainability reporting practices has been limited. The paper defines the role of sustainability report writing in corporate communication and discusses the process of standardization of CSR practices on the global market by looking at the GRI initiative. Furthermore, within a small-scale qualitative study, four CEO statements of multinational corporations operating in Romania are analysed with the purpose of investigating CSR communication practices.

Keywords: corporate social responsibility, corporate communication, CEO statements, business discourse.

JEL classification: G34, M14, O16

1. DEFINING CORPORATE SOCIAL RESPONSIBILITY

The role of social corporate responsibility in corporate communication has been a central issue for the past decade. Its main role is defined as a process of giving legitimacy for the activity of corporations. *Corporate social responsibility* (CSR) is a concept whereby companies integrate social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis. Carol says that the “social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time” (Carroll, 1979).

The concept of CSR has changed over the years - from being viewed a set of rules of conduct to having a more universal societal meaning. Corporations are held accountable for

their actions by the members of society. Thus, companies are expected to provide mechanisms for efficient communication with the public and create disclosure practices in a standardized form. Governments, non-governmental agencies and the public exercise pressure on companies to demonstrate their ability to improve corporate operations both socially and environmentally. One of the outcomes of this multiple pressure is the fact that companies are faced with the challenge of providing tangible evidence of their commitment to long-term improvement (Preston, 1981).

Thus, companies have played an increasing attention to the importance of demonstrating commitment to CSR by offering clear and precise information, similar to more traditional financial reporting documents. Clearly, CSR reporting reflects the desire to build a good reputation on the market. Reporting on the corporate social responsibility (CSR) activities of a company is an integral part of the corporate external communication and is a key tool for talking with shareholders about company's external CSR activities (Aldrich & Fiol, 1994). From a public relations perspective, a public-information model should communicate "to the public what the organization has done to be responsible and should explain lapses into irresponsibility" (Grunig & Hunt, 1984). Furthermore, CSR reporting is of voluntary nature and it occurs mainly within economic, social, governmental and social domains.

Traditional financial reporting has contributed to the emergence and development of corporate social responsibility standards. It has been asserted that organizations are more likely to improve their practices if they have at their disposal a tool for measuring their performance. Even though corporations have used their own standards, external players have developed standards and guidelines for sustainable reporting. The Global Reporting Initiative played a crucial role in developing the sustainable reporting standards and is now the international standard for corporate reporting on environmental, social and economic performance.

2. GLOBAL REPORTING INITIATIVE

CERES - the American nationwide network of investors, environmental organizations and other public interest groups working with companies, described in 1997 a set of challenges faced by the businesses in the new economy:

- companies were increasingly receiving multiple diverse, incompatible and time-consuming requests for information about their environmental and social performance;
- reporting by companies to stakeholders was varied in content, inconsistent, incomplete, lacked comparability between companies and reporting periods, and even irregular in frequency;
- there were signs of increasing numbers of reporting guidelines and frameworks being introduced in various countries and sectors and from various sources.

In an attempt to address all the above mentioned challenges, CERES together with the United Nations Environmental Programme (UNEP) European Office in Paris decided to work on providing global standardization of format and content for corporate reporting on environmental performance. Thus, the Global Reporting Initiative (GRI) was developed in 1997. This project was carried out and funded by CERES. Its mission statement was that of elevating sustainability reporting practices to a level equivalent to that of financial reporting in rigour, comparability and general acceptance (Willis, 2003). The two organizations suc-

ceeded in bringing together the interests of key players and involve various international organizations as to ensure the wide acceptance of the new guidelines.

As mentioned above CSR reporting incorporates along with environmental performance both social and economic performance. The GRI guidelines incorporate these indicators. The 2000 Guidelines were divided into four main parts: 1. *Introduction and General Guidance*: describes the guidelines, presents the potential users, flexibility in use and relationship with other initiatives; 2. *Reporting Principles and Practices*: describes underlying principles and qualitative characteristics in GRI reporting, classification of reporting elements and reporting practices. Applying these principles brings the rigour, reliability, completeness, timeliness and comparability to financial reporting. The added value is the social and environmental dimension which is the outcome of SCR practices. 3. *Report Content*: consists of several headings, such as *CEO statement* – setting the tone, describing key elements of the report; 4. *Profile of Reporting Organization* – providing a context for understanding and evaluating the information in the rest of the report; 5. *Executive Summary and Key Indicators* – a short summary of key information that provides a broad overview of the organization's sustainability performance in the current period and where possible the two preceding periods; 6. *Vision and Strategy* – discussing the vision and how that integrates economic, social and environmental performance; 7. *Policies, Organizational and Management Systems* – how these are designed to enable the organization to implement its vision and strategy (disclosure about shareholders' engagement processes is an important component of this section); 8. *Performance* – environmental, economic and social – the qualitative and quantitative information necessary to enable the report reader to understand and evaluate performance in the latest and two preceding reporting periods; 9. *Annexes*: implementation of the guidelines by a company, guidance on ratio indicators.

The GRI Guidelines improve the quality of information reported by companies about their environmental, social and economic impact and performance. However, these have not been developed as mandatory reporting requirements. These are intended for use by all types of companies. The GRI has sectorial subsections which have specific relevance for the target audience. Furthermore, the guidelines do not represent a code of conduct or a performance standard, they are intended to assist a company in reporting how it performs relative to such codes and standards. The GRI expects that eventually reporting companies and their shareholders will support the idea of independently audited sustainability reports as to enhance their credibility.

Financial reporting is addressed to a well-defined set of users – participants in capital markets. In the case of sustainability reporting, it is addressed to a far wider range of potential readers. The GRI Guidelines could become a supplement to questionnaires, interviews, press releases, media reports and other sources of information traditionally used for screening in investment decision making.

The GRI Guidelines, as they evolve and improve over time, will cause companies to report aspects of their policies, practices and performance that will be of importance to corporate management in charge of socially responsible investment portfolios. The information reported by companies using the Guidelines will not only be used for screening purposes, but it will contain the qualitative features that will provide reliability and comparability similar to that usually encountered in financial reporting.

3. CASE STUDY: CEO STATEMENTS

As we have already shown, corporate social responsibility is a concept whereby companies integrate not only economic but also social and environmental concerns into their business operations and interactions with their stakeholders on a voluntary basis. Nowadays, companies have become more and more interested in environmental and social performance. The best means for any company to inform the public about their particular interest, as far as the environmental and social performance are concerned, remains the corporate social responsibility reporting, a form of communication which has already been globally acknowledged. Therefore, our main purpose is to bring into discussion some samples of such forms of communication in order to underline some of the main characteristics in terms of technique which guarantee their affiliation to a new “genre” in terms of communication. Two annual reports: one for *McDonald's* and the other for *Procter&Gamble*, formed the practical basis for our analysis. We chose to analyze them in order to identify common aspects as well as differences between them, and, in the end, to draw a comparison between the two companies in order to reach some conclusions as far as the communicative aim of the pieces in question has been achieved or not.

While the CEO of *McDonald's*, Jim Skinner, chooses a suggestive title to his report: “*Why corporate responsibility is important to McDonald's*” in order to introduce his statement, A. G. Lafley, the CEO of *Procter& Gamble* decides on marking his report with a simple heading: “*CEO Statement*”. The *McDonald's* heading is much more “stirring” for the reader since it appears as an introduction for further argumentation. It comprises 11 paragraphs, the first of which being a short definition of corporate responsibility, and more precisely, the way *McDonald's* understands it. Throughout the report, Jim Skinner builds his discourse around the three essential aspects which constitute the basis not only for successful business but also for successful living: “...our main priorities should be clear - our **food, our people, and the environment**.” While *food* is discussed in one paragraph, the company's attitude towards *people*, more precisely employees, which definitely contributes to social progress is discussed in two paragraphs. Finally, *environmental* responsibility is marked in two paragraphs in which the CEO seeks to clarify *McDonald's* active involvement in this particular matter. It is worth mentioning the fact that the pronoun which is most often used in the text is “we” – the CEO speaks on behalf of the entire company, thus suggesting that the team concept is essential to *McDonald's*; this issue also stands for his credibility in front of the public. However, by the end of the report, Jim Skinner introduces “I” as an alternative in order to personalize his speech, thus getting closer to his readers – this is more likely to be apprehended as assuming responsibility for his own statements: “*To me, that is what corporate responsibility is all about...*”, “*I thank you for your interest*”, “*(...)I can assure you...*”. Therefore the *McDonald's* report is based on the essential aspects which actually form the basis for corporate responsibility: *environment* and *people*, followed by *food* in this particular case - the discourse has been adapted to the field of activity *McDonald's* functions in.

The CEO's statement for the *Procter& Gamble* report follows the same introductory line as in the case of *McDonald's*: the first paragraph comes as an explanation of what “*sustainable development*”, in this case, means to *Procter& Gamble*. The text itself is much shorter than in the case of *McDonald's*: it only comprises four paragraphs. These four paragraphs are built around *P& G's* sustainability aims and actions. The *P&G's* report turns out to be a lot more technical than the *McDonald's* one since its author chooses to offer the pub-

lic a clear graphic of the 2012 sustainability goals marked by three precise strategies, each of them being focused on one of the following: *products*, *operations*, *social responsibility*. It is nevertheless clear that, even though the CEO of *P&G* chooses a different means of expression (a table) from that of the *McDonald's* CEO (text framing), the discourse is built around the same three essential aspects, although given a different terminology: the first term - "*products*" - stands for the progress achieved in terms of business (*McDonald's* - "*food*"), the second one - "*operations*" - stands for the progress achieved in terms of environmental protection (*McDonald's* - "*environmental*") and the third one - "*social responsibility*" - stands for the progress achieved in terms of people and living (*McDonald's* - "*people*").

As we stated before, the *P & G's* CEO's statement appears to be more technical (he offers numbers and percents) and, moreover, his style draws closer to the impersonal peak since, unlike the CEO of *McDonald's*, he avoids using the first person singular: "*We fulfill...*", "*we believe...*", "*we see...*", "*We leverage...*", except in the last sentence where he expresses his belief in further progress: "*I'm confident we can meet or exceed our goals because P & G is designed to innovate - and to grow sustainably...now, and for generations to come*". This last sentence actually serves as a promise to the public, just like in the case of *McDonald's*: "*I can assure you, we will never stop working to be better tomorrow than we are today.*" In both cases, we can easily notice the reference to the future ("*for generations to come*", "*we will never stop working to be better tomorrow*"), a fact which serves as a testimony for the durability and, at the same time, for the credibility of the two companies.

Both *Procter & Gamble* and *McDonalds* are multinationals. They address a large number of consumers and thus, an annual statement, in which aspects such as social, environmental and economic responsibility are discussed, becomes mandatory, being part of their communication strategy.

Nevertheless, if we transfer our focus towards a company from a different area, more precisely the oil industry, we notice a pattern similar to the one followed by the CEOs of the two multinationals we discussed above: *McDonald's* and *Procter & Gamble*. The *OMV's* CEO's sustainability report for 2007/08 serves as example in our argumentation in favor of the existence of a clear form of communication in terms of social, economic and environmental responsibility, as far as the oil industry is concerned.

The *OMV* sustainability report is quite comprehensive: it comprises thirteen paragraphs. Just like in the above-mentioned cases, the statement opens with a definition of what sustainability means not only to humanity but also to *OMV*. Unlike the CEOs of *McDonald's* and *P & G*, Wolfgang Rutenstorfer decides on a direct introduction of the three "*pillars*" he considers essential to sustainability: "*an economic pillar, i.e. profitable growth; an environmental pillar, i.e. the responsible use of natural resources, and the preservation of the basis for life on earth; and a social pillar, i.e. equitable and peaceful coexistence, and ensuring the right to a decent life.*" He goes even further by offering a more general terminology for the three above-mentioned terms: "*people, planet, profit.*" We have already underlined the equivalent terms in the statements issued by *McDonald's* and *P & G*. The pattern followed by the CEO of *OMV* is similar to the one of the two multinationals mentioned above: there is an alternation in the use of the personal "*I*" pronoun and the more formal "*we*": "*...we can look for more ways...*", "*I foresee ...*", "*We face...*", "*I see...*", "*Thus we want...*" Once again, the reference to the future is present: "*I foresee a number of challenges for sustainability in the coming years*" and a promise is made to the public in the end of the

statement: “*Thus we want to be and to remain a profitable investment, a welcome guest in the countries in which we operate, and a good employer.*”

We have noticed so far that most companies, irrespective of their field of activity, follow the same pattern in terms of sustainability reports. Their message is built around three essential aspects: environment, people and economic progress. Although some of them are rather short and concise while others comprise more than ten paragraphs, the main point remains a common interest in general welfare. We have found that most of them do not have a specific title while other CEOs choose to catch their readers’ attention with interesting headlines: “*Values in Practice*” (*McDonald’s*). Nevertheless, there is definitely a common line that the three cases we discussed so far follow.

However, there are examples of sustainability reports which take a different line, not only in terms of structure but also in terms of content. Let us take for example the case of *Petrom*. The CEO of *Petrom*, Mariana Gheorghe chooses to address her public directly, a fact which limits her audience segment to a certain extent: “*Dear shareholders*”. The text is similar in length to the statement issued by *OMV*: it comprises 11 paragraphs. Nevertheless, the structure is rather different since in this case the first paragraph is no longer dedicated to defining sustainability but to offering general information about *Petrom* and its position on the market. The next 8 paragraphs focus on the progress made by *Petrom*, on its success on the Romanian market, on the business climate and the decisions made in terms of exploration, production, refining and marketing, some negative aspects being also included. It is only in the 10th paragraph that issues such as environment and social welfare are discussed: “*(...) Petrom also pursues a sustainable long-term sustainable strategy (...) we devote significant attention to social and environmental concerns (...) we are committed to treating every employee with respect, providing a safe and quality working environment (...) we are also committed to mitigating climate change impact(...)*.” Unlike in the above-mentioned examples, the personal pronoun “*I*” is never used, the exclusive use of “*we*” being preferred: this is nevertheless a strategy for keeping the standard of formality and, at the same time, for suggesting that *Petrom* relies mostly on the concept of “*team-work*”. This could also be a means of avoiding individual responsibility on behalf of the CEO.

The *Petrom* sustainability report closes with a promise, an aspect we have also identified in the cases of *McDonald’s*, *Procter& Gamble* and *OMV*: “*(...) we will focus on achieving our strategic objectives and further develop our competitive position in the oil and gas industry*”. An aspect which differentiates this last example of our analysis from the first three we studied is the use of headlines for some paragraphs, more precisely for 4 ideas developed there, which the CEO considers essential: “*Restructuring and modernization program benefits are more visible*”, “*Record level of investments*”, “*Achievements overshadowed by high level of one-off items*” and “*Sustainable long-term development strategy*”. This could be considered a positive aspect since it emphasizes the main ideas of the text and thus guarantees a better understanding of the message delivered by the *Petrom* representatives.

The main purpose of the four statements discussed in our paper remains a communicative one: although different as far as the aspects of length and content are concerned, we can conclude there is a distinct pattern they follow in order to achieve successful communication towards the public. An analysis of such statements issued by companies from different fields of activity is therefore very useful, especially nowadays, when assuming responsibility for our own actions has become of uttermost importance and communication has reached climax in terms of importance to our lives.

4. CONCLUSIONS

Corporate social responsibility model as shown above has become an integral part of corporate communication. Companies communicate and disclose their role in society and their contribution is presented in a globally accepted reporting format. Companies, such as Procter & Gamble, McDonalds, OMV and Petrom produce sustainability reports following common comparable indicators, provide both quantitative and qualitative assessment of their operations. A close insight into main reporting practices provides a valuable learning tool for assimilating and better understanding SCR practices on a global scale. Further qualitative research on narrative types, metaphor, visual elements, agency and elements of intertextuality will provide a framework for understanding better current business practices on a highly competitive global market.

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