

Proposed citation: *Belal, A. and Owen, D. (2016). The rise and fall of corporate social responsibility reporting in a multinational subsidiary in Bangladesh: a longitudinal case study. Accounting, Auditing & Accountability Journal, Accepted and In Press.*

The rise and fall of stand-alone social reporting in a multinational subsidiary in Bangladesh: a case study

Ataur Rahman Belal, Accounting Group, Aston Business School, Aston University, UK*

and

David L. Owen, International Centre for Corporate Social Responsibility, Nottingham University Business School, University of Nottingham, UK

***Contact details**

Ataur Rahman Belal Ph.D.

Reader and Head of Accounting Group

Aston Business School, Aston University,

Birmingham B4 7 ET, UK

E-mail: a.r.belal@aston.ac.uk ; Telephone: 0121 204 3031; Fax: 0121 204 4915

Acknowledgment

Earlier versions of the paper were presented at the International Congress of Social and Environmental Accounting, Centre for Social and Environmental Accounting Research (CSEAR), University of St Andrews, UK, 1-3 September 2010, a staff seminar at Aston University, 26th May, 2011, the Critical Perspectives on Accounting (CPA) Conference, 10-12 July 2011, Florida, USA, the British Academy of Management Conference, 13-15 September 2011, Aston University, UK and the Interdisciplinary Perspectives on Accounting (IPA) Conference 11-13 July, 2012, Cardiff, UK. Thanks to the participants of these seminar/conferences for their comments. Research assistance to this project was provided by Sardar Sadek Nizami. We also acknowledge the written comments made on earlier versions of the paper by Robin Roberts, Chris van Staden and Danture Wickramasinghe. Thanks are also due to the two anonymous reviewers for their suggestions to improve the paper. Finally, we would like to thank our interviewees for their time and cooperation.

The rise and fall of stand-alone social reporting in a multinational subsidiary in Bangladesh: a case study

Abstract

Purpose -The main aim of this paper is to examine the underlying drivers for the development and subsequent discontinuation of stand-alone corporate social responsibility (CSR) reporting in a multinational subsidiary in Bangladesh.

Design/Methodology/Approach - The research approach employed for this purpose is a case study using evidence from a series of in depth interviews conducted during the period 2002-2010. Interview data is supplemented by examining other sources of information including annual reports, stand-alone social reports and relevant newspaper articles during the study period.

Findings - It appears that the stand-alone CSR reporting process was initiated to give the subsidiary a formal space in which to legitimise its activities in Bangladesh where both tobacco control regulation and a strong anti-tobacco movement were gaining momentum. At the start of the process in 2002 corporate interviewees were very receptive of this initiative and strongly believed that it would not be a one off exercise. However, in the face of subsequent significant national policy shifts concerning tobacco control, irreconcilable stakeholder demands and increasing criticism of the CSR activities of the organisation at home and abroad the process was brought to an abrupt end in 2009.

Research Limitations/Implications - The paper has a number of implications for policy makers concerning the future prospects for stand-alone social/sustainability reporting as a means of enhancing organisational transparency and accountability. In addition the paper discusses a number of theoretical implications for the development of legitimacy theory.

Originality/value - Using the lens of legitimacy the paper theorises the circumstances leading to the initiation and subsequent cessation of CSR reporting in the organisation concerned. As far as we know this is the first study which theorises and provides significant fieldwork based empirical evidence regarding the discontinuation of stand-alone social reporting by a multinational company operating in a developing country. Thus, it extends previous desk-based attempts at using legitimacy theory to explain a decrease (or discontinuity) in CSR disclosures by de Villiers and van Staden (2006) and Tilling and Tilt (2010).

Key words Social Reporting, CSR, Bangladesh, Legitimacy, Tobacco, Case study

Paper Type Case study

1. Introduction

A major area of increased research interest in CSR reporting is that of examining and seeking to explain the rise of corporate disclosures on social, ethical and environmental issues (Owen, 2008). However, as opposed to earlier predominantly content analysis based studies of CSR reporting, current research has moved on to using more direct methods of exploring managerial motivations, such as in-depth interviews with corporate managers (Belal, 2008; Belal & Owen, 2007). Responding to Gray's (2002) and Parker's (2005) calls for more engagement-based research, and in an attempt to seek a richer and more in-depth understanding of social accounting processes within organisations, social accounting researchers have begun to undertake intensive case studies. Prominent examples here include studies of the UK fair trade organisation Traidcraft (Dey, 2007),

Landcare Research, New Zealand (Bebbington & Gray, 2001), the Irish Agency for Personal Service Overseas (O'Dwyer, 2005), Total SA, France (Cho, 2009) and Ghana's Volta River Authority (Rahaman, Lawrence, & Roper, 2004). While these much needed case studies provide invaluable insights into social and environmental accounting practices within the above mentioned organisations, it is significant that only Cho's study was undertaken in the context of a traditional commercial organisation. It is, however, the social, ethical and environmental accounting practices of large commercial multinational enterprises (MNEs) which are arguably of the most major concern because of the enormous impact of these organisations' operations on different stakeholders and their lives, particularly in developing countries.

Hopwood (2009) has called for detailed case studies of corporate environmental and sustainability reporting practices to expose the 'variety of motives' (p.438) implicated in the (non)production of such reports. While acknowledging that such case studies might be difficult to undertake Hopwood urged researchers to rise to the challenge. This study seeks to respond in presenting a fieldwork based case study of the development and subsequent demise of stand-alone corporate social responsibility (CSR) reporting in the Bangladesh subsidiary (henceforth ABC) of a multi-national tobacco company. The precise research question of the study is as follows:

- Why has stand-alone CSR reporting been developed and subsequently discontinued in ABC?

The research aim is important given the enormous power enjoyed by multinationals (Korten, 2001) and the consequent need to hold them to account for their actions [1]. Such necessity is even more significant in the context of multinationals operating in developing countries where regulation and policy development is weak, civil society underdeveloped and public awareness low. As we will see in the next section, given that the largest number of tobacco users are now located in developing countries we can expect to see a large expansion of the activities of tobacco companies in those countries either directly or indirectly. It cannot be emphasised enough how important it is to expose the CSR and associated reporting activities of these tobacco multinationals to critical analysis in view of their claims that promotion of 'transparency and accountability' provide the major motivations for these initiatives. Such scrutiny might, in particular, have notable implications for policy makers.

This study contributes to the social and environmental accounting literature in a number of ways. Our contributions are both empirical and theoretical. Firstly, while prior research has largely focused on examining the motivations for companies making social disclosures this study additionally theorises the circumstances leading to the cessation of stand-alone CSR reporting in the case study organisation. As far as we know this is the first in depth fieldwork based study which does so. ABC both implemented and discontinued the production of stand-alone CSR reporting during the period under study. Thus we are able to capture the internal and external dynamics that contribute to each of these important developments. Secondly, while most empirically based studies in the social and environmental accounting literature solely employ secondary data (including three studies of the tobacco industry by Campbell et al, 2003; Moerman and Van der Laan, 2005 and Tilling and Tilt, 2010) this study provides primary evidence from significant field work carried out over an extended time period. Thirdly, while we acknowledge that there is an emerging stream of literature on CSR reporting in developing countries (see for example, Belal & Momin, 2009; de Klerk & de Villiers, 2012; de Villiers, 1999; Islam & Deegan, 2008) relatively little attention has been paid to the CSR reporting of the multinational subsidiaries' activities in developing countries as noted by Islam and Deegan (2010) (but see Beddewela & Herzig, 2013; Momin & Parker, 2013). Our study provides much needed empirical evidence of the motivations underpinning the CSR reporting initiatives of a

multinational commercial organisation operating in a developing country in the form of an in-depth single case study, a method which is under-utilised in this part of the literature. Finally, we contribute to legitimacy theory development by linking various legitimation techniques and phases of legitimacy as called for by Deegan (2014). In addition, we introduce to the social and environmental accounting literature a legitimacy framework from the business ethics literature developed by Reast, Maon, Lindgreen, and Vanhamme (2013) in the context of controversial industries.

The paper proceeds with a discussion of the context of tobacco regulation and the activities of various anti-tobacco groups in Bangladesh. There follows a brief discussion of the relevant research literature in this area and an elaboration of the theoretical perspective adopted in the paper. Section four explains the research approach employed in the study. The fifth section of the paper provides an analysis of key findings which is then followed by a discussion of the results and a conclusion section.

2. The context of tobacco regulation and control in Bangladesh

The World Health Organisation (WHO) estimates that more than 80% of total smokers worldwide come from the developing countries where tobacco use is still increasing as compared to developed countries where it is reported to be decreasing (<http://www.who.int/mediacentre/factsheets/fs339/en/index.html>, accessed, 12th September, 2014). Bangladesh is one of the poorest countries in the world where tobacco use is very high and is considered to be one of the largest markets with an estimated 46.3 million tobacco users (Barkat et al., 2012). According to the 2009 Global Adult Tobacco Survey (GATS) approximately 43% of all adults (age 15+) use some form of tobacco in Bangladesh (WHO, 2009). Additionally, Barkat et al (2012) found that the incidence of cigarette smoking in the country rose by over 40% between 1997 and 2010.

Against the above backdrop of increasing tobacco consumption an active anti-tobacco movement has become established in Bangladesh, which indeed dates back to the 1980s with the formation of the first specifically anti-tobacco organisation (ADHUNIK) [2] taking place in 1987. In 1999 the Bangladesh Anti-Tobacco Alliance (BATA) came into existence specifically in response to a promotional campaign by ABC which featured a yacht sailing from Europe with Bangladesh as its final destination via 17 countries in 170 days. ABC heavily promoted the campaign through advertisements in local newspapers. In response BATA mobilised protest rallies and subsequently filed a successful writ petition in the Bangladesh High Court whereby the Court issued an order prohibiting all further promotions around the campaign. BATA also led a successful court case against another multinational tobacco company which ultimately ceased operations in Bangladesh. BATA's current work includes lobbying for amendments to current tobacco control laws and a campaign for increases in tobacco taxation. Its declared objectives include raising awareness of the harmful effects of tobacco use and contributing to the debate over national tobacco policies and legislation. It works closely with the WHO's Bangladesh office which itself plays a significant role in the formulation of national tobacco control strategy. WHO Bangladesh has also conducted a significant survey on tobacco related illnesses in Bangladesh, whilst additionally providing technical assistance in the context of the 2009 GATS. Bangladesh was one of the three countries from the South East Asia selected for this influential survey on tobacco use.

In addition to the above actors, the work of a number of NGOs includes tobacco control activities and research on the social and economic effects of tobacco cultivation and use. Prominent NGOs in this regard include the Consumers' Association of Bangladesh (CAB), Policy Research for Development Alternative (UBINIG) and Development Coordination (UNNAYAN SAMANNOY).

CAB is an active member of BATA and has been engaged in tobacco campaigning since 1981. It has lobbied the Government of Bangladesh for anti-tobacco legislation and is currently engaged in raising awareness of the harmful effects of tobacco use and promoting the effective implementation of tobacco control legislation in Bangladesh. One of its major current campaigns is that of pressing for the inclusion of pictorial warnings on cigarette packs. UBINIG conducts various researches documenting the adverse effects of tobacco farming and the exploitation of tobacco farmers by tobacco companies (<http://www.ubinig.org/index.php/home/showAerticle/15/english>, accessed 5th August, 2013). UNNAYAN SAMANNOY runs an advocacy programme titled 'Policy Advocacy for Tobacco Taxation' funded by the Tobacco Free Kids Initiative, USA. The main aim of this programme is to lobby policy makers for 'more effective tax and price policy measures through necessary policy analysis and advocacy' (<http://www.unnayanshamannay.org/> accessed, 8th October, 2010). These intensive advocacies and lobbying measures by various NGOs have had a significant impact on regulators and policy makers in Bangladesh.

The earliest tobacco control regulation in Bangladesh was enacted in 1890 via the Railways Act which stipulated penalties for smoking in train compartments without the permission of fellow passengers. Another early piece of law is the Juvenile Smoking Act of 1919 which prohibited selling cigarettes to under 16s. Whilst in the 1970s Bangladesh encouraged tobacco cultivation by establishing the Tobacco Development Board this was later replaced by the Department of Agricultural Extension whose aim is the very different one of reducing tobacco cultivation by promoting alternative crops. A Presidential decree passed in 1990 sought to ban tobacco advertisements in the country; it was, however, not enacted into law in the wake of active lobbying by the tobacco industry. However, the later Smoking and Tobacco Products Usage (Control) Act, 2005 and the Smoking and Tobacco Products Usage (Control) Rules, 2006 imposed a comprehensive ban on all forms of tobacco advertisements, made most public places smoke-free and required clear warnings to occupy 30% of the front and back of cigarette packs. These latest legislative measures were part of Bangladesh's commitment to implementing the provisions of the Framework Convention of Tobacco Control (FCTC). Bangladesh signed the FCTC on 16th June, 2003 and ratified it on 10th May, 2004, being one of the first signatories from South Asia. Indeed, Bangladesh was actively involved in the development of the FCTC with the then Health Minister of Bangladesh presiding over the WHO's 56th session which approved the Convention in May 2003. One note of interest here is that whilst the WHO excluded the tobacco industry in the framing of the FCTC, ABC had been consulted in the development of tobacco legislation in Bangladesh with the company acting as a representative of the Bangladesh Cigarette Manufacturers' Association.

In order to strengthen the institutional framework for tobacco control the National Tobacco Control Cell (NTCC), a functional arm of the Ministry of Health and Family Welfare, was established with the support of the WHO in 2007. 'It has become the hub of national coordination, referral and support center for all tobacco control stakeholders, including NGOs in Bangladesh.' (<http://ntcc.gov.bd/about>, accessed 4th August, 2013). The significant shift towards tighter control and regulation of the tobacco industry highlighted above shows little sign of abating. For example, a draft amendment to existing tobacco laws tabled by the Ministry of Health in 2009 called for the provision of a 50% pictorial warning on the front of cigarette packs and, significantly in the context of the present paper, restrictions on CSR activities by the tobacco companies as demanded by the anti-tobacco groups. In similar vein, government sources have also hinted that stricter amendments to the current legislative framework for tobacco control are on the way (The Daily Star, 10th August, 2010). Additionally, the recently introduced National Strategic Plan of Action for Tobacco Control (NSPATC) specifically aims to reduce the prevalence of tobacco use in the country. Inter alia, it

proposes an increase in tobacco tax in each year's budget and with a view to discouraging tobacco cultivation the budget of 2010-11 imposed a 10% levy on tobacco leaf exports. [3]

3. The pursuit of legitimacy in a controversial sector: towards a theoretical framework

In a critical examination of the tobacco giant Philip Morris's "People" advertising campaign Metzler (2001) noted that the tobacco industry in general 'is under siege from various publics' (p.372). The legitimacy threat the industry faces from global regulation, attacks from the media and intense pressure from anti-tobacco groups has led it to develop and utilise various legitimacy strategies in order to protect its survival. It can be argued that CSR and its reporting are used by the tobacco companies as legitimising tools (Moerman & Van der Laan, 2005) to renew their 'social contract' in the communities within which they operate. We therefore argue that legitimacy theory provides an appropriate lens for examining the development and subsequent cessation of stand-alone CSR reporting in ABC – a company which operates within a controversial sector and is under intense scrutiny by media, anti-tobacco groups and civil society in Bangladesh.

Legitimacy theory has been a popular and dominant theory in the social and environmental accounting literature. However, previous research has not always clarified its nature, approaches, forms/bases, phases and techniques and the links between various elements of the theory.

It is important to distinguish between economic legitimacy and social legitimacy. According to Patten (2014) while economic legitimacy is monitored via market mechanisms social legitimacy is better examined via public policy process. This distinction is even more important in the context of controversial industries (such as tobacco) which could be facing different types and levels of legitimacy threat which prompted Reast et al. (2013) to develop a legitimacy framework for controversial industries discussed later in this section of the paper. While considering legitimacy in the context of tobacco industries we focus on social legitimacy of organisations in the remainder of this paper.

Suchman (1995) argues that organisational legitimacy can be viewed from both institutional and strategic approaches. Inspired by institutional theory traditions the institutional approach argues that organisational legitimacy is shaped, and conferred, by the environment within which organisations operate. In contrast, according to the strategic approach organisations can actively pursue and shape their legitimacy by applying various legitimation techniques. Although Suchman (1995) encourages researchers to specify the approaches adopted in legitimacy theory research Chelli, Richard, and Durocher (2014) argue that they 'are not necessarily mutually exclusive' (p.293). This is because organisations can simultaneously 'face both strategic challenges and institutional pressures' (p.293). In the context of controversial industries Reast et al. (2013) note that organisations are 'neither shaped by, nor fully conform to, the insitutional environment, as suggested by the institutional approach, nor can they effectively improve their legitimacy status strategically or engage in public impression management' (p.141). However, the majority of research in social and environmental accounting has nevertheless simply adopted the strategic approach in examining organisational legitimacy.

Prior social and environmental accounting research has generally ignored the possible various forms/bases of legitimacy. Identification of these forms is important in order to understand the legitimacy seeking behaviour of organisations. In a recent refinement of legitimacy theory O'Dwyer, Owen, & Unerman (2011) cite Suchman (1995) in outlining three forms of legitimacy, these being *pragmatic* (aimed at satisfying the needs of immediate audiences and generally involving exchanges between the organisation and its immediate audience), *moral* (where conferment is based on a normative evaluation of organisational activities) and *cognitive* (based on comprehensibility and

taken for grantedness). Suchman (1995) notes that cognitive legitimacy is the most difficult to achieve. Organisations might pursue different forms of legitimacy with different stakeholder groups. For example, tobacco companies' attempts to engage in stakeholder dialogue with anti-tobacco groups appear to be driven by a moral legitimacy seeking motivation.

Legitimacy is a perception that organisational activities are in congruence with societal norms, belief and expectations (Suchman, 1995). Legitimacy gaps emerge when incongruence exists between organisational activities and societal expectations. Legitimacy theory suggests that organisations will use disclosure as a tool to appear legitimate in accordance with changing social norms and expectations (Cho, 2009; Cho & Patten, 2007). Most prior research in social and environmental accounting has argued that in the context of perceived legitimacy threats organisations would maintain or increase their disclosures. However, in an extension of legitimacy theory de Villiers and van Staden (2006) suggest that under certain situations organisations can change the type of disclosures, or even reduce overall disclosure in order to appear legitimate. In a study investigating environmental disclosures made by the top 100 industrial and all mining companies in South Africa over a nine year period de Villiers and van Staden (2006) showed that after an initial period of increase, environmental disclosures subsequently decreased, with an accompanying change in disclosure type from specific to general. They identify seven reasons for reductions in disclosure which they argue are consistent with seeking legitimacy:

1. when societal suspicions or concerns reduce or disappear,
2. when an organisation moves from a strategy of (re)gaining legitimacy to one of maintaining it (once legitimacy has been achieved, it may be maintained by less [overall] disclosure and/or fewer specific disclosures whilst maintaining the level of general disclosures),
3. when managers reassess the importance and influence of stakeholder groups they previously thought important/influential,
4. when managers cease disclosure in the hope that this will assist in reducing the importance of the issue,
5. when managers perceive disclosure to be useless in the legitimation effort,
6. when managers move on to a more in 'vogue' social disclosure theme or one where they happen to have good news, in order to maintain their overall image as a socially-responsible company, or
7. when managers perceive an issue to have turned 'sensitive'. (p.767)

Some support for de Villiers and van Staden's (2006) argument is provided by O'Dwyer's (2002) investigation of the perceptions of a sample of Irish managers as to the efficacy of disclosure as a legitimising strategy which suggested a reluctance to provide social disclosures on the grounds that these may simply provide credence for existing legitimacy concerns, thereby raising further societal scrutiny on the issue. Belal and Cooper (2011) provided similar explanations in their examination of the reasons for Bangladeshi managers' reluctance to disclose information on certain social justice issues such as child labour, equal opportunity and poverty alleviation. They cite Adams, Coutts & Harte (1995) in observing that corporations may deliberately resort to non-disclosure, or a reduced disclosure strategy, with a view to achieving control over the disclosure agenda and information flows to stakeholders. This is what Oliver (1991) termed '...avoidance tactics, such as ceremonial conformity, symbolic gestures of compliance, and restricted access to information on the company's practices...' (p.164).

Here the techniques of 'symbolic legitimation' and 'substantive legitimation' introduced by Richardson (1985) and later further clarified by Ashforth & Gibbs (1990) are relevant. It can be argued that when organisations are faced with legitimacy threats they could employ a combination of

these legitimation techniques. ‘Symbolic legitimation’ involves an attempt to demonstrate conformity with social norms and values without any change in actual practice on the ground taking place. As part of these legitimation activities organisations may, for example, establish environmental policies without any effective implementation procedures being put in place. Moreover, managers may suppress (Ashforth & Gibbs, 1990) or control (Richardson, 1985) information if it is likely to threaten legitimacy. ‘Substantive legitimation’, on the other hand, would require significant adjustments to organisational routines and procedures to bring them into line with social expectations. Examples here could include full implementation of and compliance with well known standards such as the GRI Guidelines or ISO Standard 26000. However, in order to achieve the desired legitimacy organisations would need to communicate this significant change in practices to stakeholders.

Three prior studies on social reporting in tobacco companies employed content analysis methods and legitimacy theory in order to analyse and explain their findings. Based on their analysis of BAT’s (British American Tobacco) first social report published in 2002 Moerman and Van der Laan (2005) found support for legitimacy theory and argued that in the face of an increasing legitimacy threat arising from the WHO’s global regulation (FCTC) social reporting provided the company an opportunity to influence the public policy arena. However, the other two studies found decreasing CSR disclosures within the annual reports of BAT [1975-1997] (Campbell, Craven, & Shrives, 2003) and Rothman [1956-1999] (Tilling and Tilt, 2010). Campbell et al (2003) were led to conclude that they could not find support for legitimacy theory in the tobacco industry (which was expected to provide more disclosures to deal with the legitimacy threat). However, in the light of the recent conceptualisation of legitimacy theory by de Villiers and van Staden (2006) Tilling and Tilt (2010) argued that legitimacy theory could be used to explain this decreasing trend. They suggested that Rothman might have entered a phase of legitimacy loss when the company did not find disclosure a useful device in their attempts at legitimation.

Drawing on the influential works of Ashforth & Gibbs (1990) and Suchman (1995), Tilling and Tilt (2010) provided an organisational legitimacy model consisting of six phases – establishment, maintenance, extension, defense, loss and disestablishment. They did not however provide detailed specification of the last two phases. Moreover, their model does not attempt to establish the links between various legitimation techniques and phases of legitimacy. Deegan (2014) noted this as a weakness in the development of legitimacy theory and observed that the theory ‘... has not developed sufficiently to link specific legitimation techniques with efforts to either gain, maintain or regain legitimacy’ (p.257). We therefore attempt in this paper to contribute to legitimacy theory development by linking legitimation techniques with the different phases of legitimacy identified by Tilling and Tilt:

- **Establishment:** This is what Suchman (1995) referred to as gaining/building legitimacy. The challenge here is to gain acceptance from the ‘relevant publics’ in the early years of organisational life by making sure that the organisation’s products or services are in congruence with the expectations of the ‘relevant publics’. Incongruence might lead to a loss of legitimacy. It is possible that organisations in this phase would adapt their activities to give the impression of ‘ceremonial conformity’ (Oliver, 1991).
- **Maintenance:** Gaining legitimacy is harder than maintaining it. Upon gaining legitimacy it becomes much easier for the organisation to maintain it with symbolic legitimation practices. In this phase once conferred by the ‘relevant publics’ ‘legitimacy tends to be taken largely for granted’ (Ashforth & Gibbs, 1990, p.183). Less CSR disclosure is usually needed to maintain than gain legitimacy.

- **Extension:** This would normally be found when firms enter into new activities or practices due to changing social expectations. For example, a firm which previously maintained legitimacy by CSR disclosures within annual reports may move into a comprehensive stand-alone reporting regime in an attempt to extend its legitimacy. Thus organisations in this phase would appear to employ substantial legitimisation efforts and enhanced disclosures. Such efforts might include attempts to obtain external endorsements (for example, external assurance statements or endorsements from an external stakeholder panel), co-opting respectable citizens in organisational forums (for example, inviting prominent citizens of the country to the stakeholder dialogue organised by the organisation) and aligning with socially acceptable symbols or values (such as the Global Reporting Initiative).
- **Defence (or Repair):** This occurs when organisational legitimacy is threatened leading to a legitimacy gap or crisis. This aspect of legitimacy has attracted most of the attention of social and environmental accounting researchers. Previous scholars have shown that in the event of a crisis situation (e.g. Exxon Valdez) an organisation would increase CSR disclosures (Patten, 1992) in order to minimise or repair the damage caused to its legitimacy/reputation [4]. Cho (2009) reports the results of a case study of environmental reporting practices of the French oil multinational Total SA. Examining the company's environmental disclosures around the occurrence of two major environmental disasters the study argued that Total employed environmental reporting as a legitimising tool, as opposed to an exercise in organisational accountability. Organisations might provide selective and symbolic legitimising disclosures to tackle the challenge of the defence phase. However, there is a danger that unsuccessful deployment of substantial and symbolic legitimisation techniques during the extension and defence phase might lead to 'self-promoter's paradox' (Ashforth & Gibbs, 1990). Reast et al. (2013) observe that 'general lack of trust in the context of controversial industries means that organizations in these industries risk severe reputational and legitimacy-related backlash if they develop and communicate CSR commitments and initiatives' (p.141). Unsuccessful attempts in this process might trigger a vicious circle whereby organisations can be seen to be losing the very legitimacy they were trying to extend or defend. Ashforth and Gibbs (1990) term this 'the double-edge of legitimisation'.
- **Loss:** This is normally preceded by intense media scrutiny, new regulatory control and the emergence of hostile pressure groups (Tilling, 2004). These are the symptoms of organisations having problematic or low social legitimacy. Tobacco companies in Bangladesh could be an example here as they are facing an unfavourable tobacco policy shift, hostile anti-tobacco pressures, increased tax and tighter regulatory control (as discussed in the preceding section). Tilling and Tilt (2010) observed that Rothman's decrease in disclosure activity might be indicative 'of an organisation losing legitimacy over a period of time' (p.74). Firms in this phase are more likely to resort to a strategy of reduced disclosure, or may make a deliberate attempt to withhold information by replacing comprehensive CSR reporting with 'symbolic' selective disclosures within websites or annual reports.
- **Abandonment:** Once the organisation is in the loss phase it might attempt to travel towards the 'abandonment phase' (Deegan, 2014) and then start all over again to regain or re-establish its legitimacy (Tilling & Tilt, 2010). Organisations in this phase would be more cautious, given the previous experience of lost or reduced legitimacy. With a view to getting it right this time around they are more likely to proceed carefully perhaps limiting themselves with symbolic attempts and selective disclosures in order to make a fresh start towards rebuilding legitimacy.

Tilling and Tilt (2010) argued that a firm's legitimation strategies might involve moving from one phase to another over a period of time. However, they might not necessarily move in the order outlined above and some firms might not go through all the phases. Finally it should be noted that while gaining or extending legitimacy could be a proactive response, defense or repair of legitimacy represents a reactive approach (Ashforth & Gibbs, 1990; Suchman, 1995).

Most legitimacy based studies in the social and environmental accounting literature are general in nature in that the analysis presented is not centred around any particular industrial context. However, given the controversial nature of the tobacco industry legitimacy threats faced by companies in the industry could be quite specific thereby requiring a slightly modified legitimacy framework to be employed. In this regard we introduce the framework developed by Reast et al. (2013) in order to strengthen our discussion of legitimacy. This particular framework is designed to examine the legitimacy seeking strategies of organisations in a controversial sector (the gambling/casino industry in the case of Reast et al's study) and hence, has potential for examining the empirical findings of this paper in the context of the tobacco industry.

Reast et al. (2013) examine both the foundations and the strategies of legitimacy seeking behaviour of organisations in a controversial industry. Foundations are related to transactional and interactional approaches adopted by these organisations. While the former approach requires use of organisational resources to garner stakeholder support in general the latter approach is more geared towards targeted stakeholders and is based on dialogue and understanding. According to their framework, legitimacy strategies are aimed at obtaining passive or active stakeholder support. Passive support is obtained via establishing the threshold or baseline level of legitimacy required to operate without much stakeholder opposition. Active support is obtained via auxiliary or supplementary level legitimacy which 'typically take[s] the form of protracted stakeholder backing and intervention' (p.144).

According to Reast et al. (2013) threshold legitimacy can be pursued via *construing* and *earning* strategies. *Construing* strategy is used to gain *moral* legitimacy (and to a certain extent *cognitive* legitimacy) from skeptical stakeholder groups who disapprove of organisational activities on moral grounds (for example, anti-tobacco groups in the context of tobacco industry and faith groups in the context of the gambling industry). Organisations attempt to engage with these groups via stakeholder dialogue with a view to swaying their opinions, or at least obtaining their passive acquiescence. Scherer, Palazzo, and Seidl (2013) termed this 'moral reasoning strategy' which is built 'upon a process of deliberation' p.(264). *Earning* strategy is an attempt to gain threshold level *moral* legitimacy concerning organisational impact on vulnerable groups in society. Organisations would like to be seen as attempting to address societal concerns in this regard and 'thus obtain a license to operate' (p.146).

Bargaining and *capturing* strategies are employed to obtain auxiliary legitimacy. Active support can be sought from the relevant stakeholder groups via some kind of *bargaining* and using various organisational resources including monetary resources. The objective of such *bargaining* strategies is to obtain supplementary level *pragmatic* legitimacy. Stakeholder groups such as the local community and government are actively encouraged to evaluate the benefits of providing legitimacy against the costs of disapproval (such as deprivation of resources including economic benefits, employment generation and infrastructure development). *Bargaining* strategy consideration of *pragmatic* legitimacy might be particularly important in the poorer developing country context where harsher economic conditions mean economic imperatives might be prioritised (Reast et al., 2013) to allow tobacco multinationals to operate in spite of the significant health related costs to be borne by the state and its citizens. Finally, *capturing* strategy involves garnering active support from key

stakeholders via formal partnership agreements and is aimed at *moral* legitimacy and to a lesser extent *cognitive* legitimacy. In the case of Kerzner International (a multinational casino company studied by Reast et al, 2013) looking to establish a casino in Manchester it was, for example, important for the company to obtain the active support of Manchester City Council and its network of local partners. The legitimacy framework discussed above is summarised in Table 1 showing the links between the four strategies and the three forms of legitimacy noted by Suchman (1995). Developed from the context of a controversial sector, within which our case study organisation ABC is located, this framework is expected to provide additional theoretical insights.

INSERT TABLE 1 HERE

From the above review of relevant literature we observe that all three previous studies on CSR reporting related to the tobacco industry (Campbell et al., 2003; Moerman & Van der Laan, 2005; Tilling & Tilt, 2010) were based on secondary data only and called for further investigations of the assertions made in these studies utilising other methods such as interviews with report preparers (Tilling and Tilt 2010, p.77) and other key players (Moerman and Van der Laan, 2005). The present study contributes to this body of literature by providing empirical data collected via interviews with corporate managers and stakeholders of ABC. The following section explains the empirical data collection and analysis methods used in this study.

4. Research approach

The case study company is a Bangladesh based subsidiary of a European multinational tobacco company. Currently it provides direct employment to some 1200 people whilst also providing indirect employment to a further 50,000 farmers, distributors and suppliers in Bangladesh (ABC Annual Report 2010, p.3). ABC has a 36% share of the total cigarette market in Bangladesh whilst also dominating the premium cigarette market. It has a long history of CSR reporting initially through its annual reports (1975-2010) and subsequently (commencing in 2003) via the biennial publication of a stand-alone social report.

The field work for the study commenced in February 2002 just prior to the start of ABC's stand-alone social reporting process and finished in July 2010 after its cessation. Thus, the data has been collected over a long period of time [9 years] enabling us to build a rich story of the case organisation. An explanatory case method is used 'to explain the reasons for observed practice [in this case stand-alone CSR reporting in ABC]' (Ryan, Scapens, & Theobald, 2002, P.144). A case approach helps to focus the study on a single setting (in this case ABC) and thus enables the undertaking of a rigorous and intensive analysis of the phenomenon examined.

The case is constructed by qualitative research method – face to face interviews supplemented by other sources of information. A total of 22 interviews were conducted in Bangladesh both with corporate managers and the relevant stakeholder groups. Details of the interviews are provided in Table 2:

INSERT TABLE 2 HERE

Corporate interviews were carried out in Bangladesh with senior managers of ABC particularly those involved in the CSR reporting process [5] in their places of business (except one interview conducted at the interviewee's place of residence). Another round of interviews was undertaken with key stakeholder groups of ABC in Bangladesh, these being representatives of government and regulatory agencies, community and anti-tobacco groups. The majority of the interviews were recorded using a digital recorder and subsequently transcribed. Where recording was not permitted extensive notes

were taken immediately after the interviews. The average length of the interviews was 60 minutes. All of the interviews were conducted individually in a face to face mode (except one interview which was conducted via telephone) and a promise of anonymity was given to all interviewees. These were then followed up by further telephone calls and emails.

In total 16 corporate and 6 stakeholder interviews were carried out. Each interview started with an explanation of the purpose of the project and enquiry relating to the interviewee's background. A list of loosely structured interview themes was used. Corporate interviews explored issues surrounding ABC's motivation for undertaking social accounting in general and stand-alone social reporting in particular, reasons for cessation of stand-alone social reporting, the role of stakeholder dialogue, future reporting plans, CSR governance and the effectiveness of CSR strategies and processes. Following a similar format, stakeholder interviews featured themes related to views of the tobacco industry in general and ABC in particular, perceptions of ABC's CSR and its reporting, the experience of participating in the stakeholder dialogue sessions at ABC and perceived effectiveness of such dialogue.

Interview data was analysed employing a theoretical lens of legitimacy in searching for an explanation of the rise and fall of stand-alone social reporting in ABC. For this purpose all interview transcripts were subjected to a three step procedure of data reduction, data display and conclusion gathering as suggested by Miles, Huberman, and Saldana (2013). Following an iterative process (O'Dwyer, 2004) all interview transcripts and notes were read several times before subjecting them to a thematic analysis. A summary of each interview was prepared. Relevant quotes related to each emerging theme were then transferred to a separate word document. These quotes were then used to substantiate various issues and themes reported in the paper.

While interviews remain the main source of information for this paper, various other sources were used to supplement the interview data. These include corporate reports and various local newspaper articles related to ABC and its activities. Corporate reports were obtained from the company during the field visit. Documents analysed include ABC's three social reports (2003, 2005 and 2007) and all available annual reports (1975-2010). However, as the focus of this paper is on the initiation and, more importantly discontinuation, of stand-alone reporting we only report the analysis related to the years to 2003-2010. The remaining materials (1975-2002) are used as background information to uncover the drivers leading to the commencement of stand-alone reporting [6].

For report analysis a disclosure indexing approach (Buzby & Falk, 1978; Maali, Casson, & Napier, 2006) has been used to determine the level of disclosures in each year. This is done via computing a social disclosure index score for each annual report and social report. This approach was also used by de Villiers & van Staden (2006) for their study of trends in South African environmental reporting. The analytical framework used for this purpose is the GRI Sustainability Reporting Guidelines (G2) (<https://www.globalreporting.org>) which contains 13 economic, 35 environmental and 49 social indicators. Each item disclosed was given a score of 1 (and 0 if not disclosed). The total score arrived at was then divided by the total of all possible items (97) to develop the index (expressed in percentage terms) for each year [7]. Following de Villiers & van Staden (2006) we did not measure the volume of disclosures as our purpose is to examine disclosure trends and patterns over time focussing on specific disclosures made. Volumetric measures are normally used in content analysis based studies involving annual reports only. The focus of our study is mainly stand-alone social reporting where measurement of volume would be inappropriate as all disclosures are expected to be related to social and environmental disclosures.

For the purpose of analysis corporate reports were read in their entirety by a research assistant and one of the authors. Using the GRI framework a sample of reports were analysed and scored independently. Any differences between the coders were then reconciled and resolved before carrying out full analysis. In addition, attempts were made to examine the development and changes in the treatment of various disclosure themes in different time periods.

5. Stand-alone social reporting in ABC (2003-2010)

ABC published its first stand-alone social report in 2003 and its third and final one in 2007. Stand-alone reporting was discontinued in 2009. Keeping this timeline in mind we structure the findings of this paper into two time periods. The first period (2003-2007) captures the rise of stand-alone reporting whilst the second (2008-2010) scrutinises its demise. Before 2003 CSR disclosures were made in the annual reports of ABC with an average annual level of CSR disclosures of 8.2% being made during the pre-social reporting period of 1975-2002.

5.1 The rise of stand-alone social reporting (2003-2007)

ABC claimed the objective of the stand-alone social reporting process was to make:

...the organisation transparent and accountable for its ethical performance ... (Annual Report, 2002, p. vi)

During 2003-2007 the average percentage of disclosures made in the three published social reports against all possible disclosures was around 40.5% (Figure 1). The same figure also shows the comparatively limited disclosures made in the annual reports in the same period (average disclosure level of 19.4%).

INSERT FIGURE 1 HERE

It is notable that during this time period the level of disclosure within the annual reports stabilised as more disclosures were made in the social reports. Social disclosures remained the dominant category in this period. The nature of disclosures in these two types of documents was to some extent different. While disclosures in the social reports were more specific and detailed as evidenced by the provision of 'hard' indicators required by the GRI, disclosures in the annual reports were more general and vague. For example, under the environmental category the company reported its carbon emissions in tonnes in all three social reports but not in the annual reports. In the annual reports, by contrast, the company's environmental management activities were more generally couched in terms of its afforestation and tree plantation activities.

In its first social report ABC covered eight themed topics on consumer information, public smoking, youth smoking prevention, responsible marketing, tobacco regulation, tobacco taxation & pricing, environmental management and corporate citizenship. It is noteworthy that some of these themes were addressed by the company in the pre social reporting period. It appears that social reporting gave the company a formal space to reiterate those issues but this time with the vetting of stakeholder dialogue. For this purpose the company identified key stakeholders through a stakeholder mapping process and an internal scoping study. The stakeholders were then invited to participate in dialogue via a moderator co-opted by ABC. During the social reporting period ABC co-opted three moderators - an eminent economist and two newspaper editors. While no remarks from the first moderator were published the other moderator's statements published were full of praise of ABC's social reporting process. The issues raised during stakeholder dialogue sessions were recorded and reported in the social report. The report was then verified by an external verifier again appointed by ABC. The contents of the report were mainly structured around the issues raised at the stakeholder dialogue sessions which were held in different parts of the country where the

company has operations. Additionally the company reported on various other social, environmental and economic issues against certain selected GRI indicators.

The second social report was published in 2005. While this report featured most of the first year's themes (consumer information, public smoking, youth smoking prevention, environmental management and corporate citizenship) the theme of responsible marketing was dropped and replaced with that of harm reduction. This was done at a time when local awareness about the health hazards of tobacco use was increasing with the Ministry of Health having established a National Tobacco Control Cell working closely with WHO, Bangladesh. The company also dropped the themes relating to regulation and taxation. Are these changes a mere coincidence? In 2005 Bangladesh passed a Smoking and Tobacco Products Usage (Control) Act which imposed a comprehensive ban on tobacco advertising whilst tax increases had been imposed following the publication of national policy and strategy documents on tobacco.

Whilst, as noted above, in its first two reports ABC covered a wide range of themes relating to the production and use of tobacco it was on the specific theme of environmental management that stakeholders' concerns were most clearly expressed, particularly concerning the harmful effects of tobacco farming. Local media and anti-tobacco groups were also highly critical of tobacco farming in the country with, additionally, evidence of community level protests and rallies against tobacco cultivation taking place which were prominently reported in the media.

Unsurprisingly, therefore, the company decided to focus on tobacco farming in its third and final report published in 2007. As one senior manager of the company explained:

NGOs and the media made a big fuss about it [tobacco farming] and we decided to respond via our third social report. (Interview 2: Head of Corporate Affairs)

Another company interviewee articulated the rationale behind the focus on tobacco cultivation as follows:

We also observed that towards the end of 2005 and in early 2006 there were many negative media reports on the environmental effects of tobacco cultivation, for example tree cutting and reduction in soil fertility. So public expectations changed from tobacco marketing to tobacco cultivation. This trend was particularly observable in the negative media reporting. (Interview 8: Social Reporting Manager)

The above analysis shows that ABC's CSR and its reporting in Bangladesh appears to be driven by a combination of global and local forces that are many and complex. Several interviewees attempted to explain the drivers of the social reporting process in the company. When the social reporting process started in 2002 the then Head of corporate affairs emphasised that it was intended to be a continuous exercise:

Believe me this is a commitment we are taking very seriously... It's not going to happen in one year. It's going to take the first year to understand it; the second year will be a little better and hopefully in the third year things will be in line. Then we are not thinking of **abandoning** it, we are not thinking of a box ticking exercise because we are raising our own standards. (Interview 1: Head of Corporate Affairs, emphasis added)

The current Chairman of the company who was the leading champion behind the introduction of social reporting in ABC gave the background of this initiative in the following words,

I think it came about with the active encouragement of the head office. There was a huge debate in the management at that time, of which I was a part, whether we should do it or will it **open a Pandora's Box**? Since other subsidiaries of the group had started it we felt that we should not lag behind. Why not start something new in the country which could be an example in the future for other companies... (Interview 9: Chairman, emphasis added)

Another interviewee also highlighted the circumstances which led to the development of social reporting in the company:

Around the world I think the work on the FCTC was gaining momentum. If you recall, the earlier provisions of the WHO's proposal stipulated that no consultation will be made with the tobacco companies in the compilation of tobacco related policy. I think that was a trend around the world where we were no longer able to put forward our views.... *That gave us an external push to do something.* We realised that we're becoming irrelevant in the policy discussion. ... I think at that time there was a growing anti-tobacco movement around the world. I think social reporting helped us to get back as a relevant force within society. I think in the context of Bangladesh if we do not participate in any social programmes whatsoever then we're nothing more than a trading company sucking all the economic benefits and profits out of Bangladesh to our head office and that's it. Then why would any government agency or civil society here want to engage with us. (Interview 2: Head of Corporate Affairs, emphasis added)

He went on to note that

Bangladesh is one of the largest operating entities within the ... group. I think in terms of volume of cigarettes it's huge. Bangladesh was chosen for two reasons. First, because of the need to do social reporting in Bangladesh, second, the ability of the company [ABC] to do it.

The above analysis reveals that one of the big pushes for social reporting came from head office which, in turn, was influenced by the WHO's FCTC. The WHO not only influenced the parent company but also influenced the Bangladesh subsidiary's CSR and its reporting via its Bangladesh office which has a large tobacco control programme. Indeed, WHO Bangladesh provided technical assistance to the Ministry of Health for the preparation of its national tobacco control strategy paper.

In addition to the WHO other international influences to be noted here include the Centre for Disease Control (CDC), USA, the Bloomberg Initiatives and Path, Canada which have supported various anti-tobacco organisations in Bangladesh. As we noted earlier 'ADHUNIK' was established in 1987 followed by BATA in 1999 specifically in response to a huge promotional campaign for one of the ABC's products. Since then the anti-tobacco movement has accelerated and gained further strength. The pressure from the anti-tobacco group was identified by one of the interviewees as follows:

I think prior to social reporting there wasn't much engagement with the anti-tobacco groups...Social reporting allows you to have that kind of engagement and to get ideas from them. At least you're talking to them rather than being suspicious and thinking that they're plotting conspiracy. The whole point of social reporting is to develop a bridge. ...There are areas we can agree on and let's do that for a start. There are things which you can't agree on. Let's say the anti-tobacco groups said that they wanted us to shut down our factory. Then obviously we can't do that. It's impossible. That's all we do. But if they ask us to be responsible in the marketing of cigarettes; yes, we can do something about it. (Interview 2: Head of Corporate Affairs)

Articulating the company's relationship with the anti-tobacco groups in Bangladesh the above interviewee further added,

Some people from the anti-tobacco lobby sit on the other side of the spectrum. It's a position of opposition and fear. Between us and them there is this silent member of the public and the *policy makers*. The point is that their level of commitment and opposition affects us. The question is which position is the reasonable one for society? The only judges for that are the people sitting in between us and them. The more people realise that we're responsible, we're reasonable and we're trying our best the better. They are trying the same thing as well.More and more people are realising that we're a *responsible company* within a *controversial industry*. (Emphasis added).

In addition to the anti-tobacco groups another important local influence on the company's CSR and its reporting is the Bangladeshi media. For example, Bhorer Kagoj, a local Bengali newspaper which has long refused to carry tobacco advertisements, convened a roundtable meeting in 1999 to discuss strategies for countering the promotional campaign of the company discussed above. Indeed on many

other occasions media and anti-tobacco groups have worked together to promote anti-tobacco activities in Bangladesh. One interviewee emphasised the importance of the media noting that,

... Now you have 8 or 9 TV channels or even more in Bangladesh. Newspapers are becoming very vocal and more organised. These people are playing a very influential role in terms of putting pressure on us. (Interview 5: Development Affairs Manager)

Another interviewee drew attention to the importance of the media in the following terms:

You know that the media plays a very important role in the modern world. The global shift towards responsible business practice has had an influence in our country. The businesses in our country are also realising the importance of CSR. (Interview 8: Social Reporting Manager)

The Government of Bangladesh and its various agencies also exert an important influence on the activities of the company. This was emphasised by several corporate interviewees. For example, the above interviewee noted that,

...in our business one of the important stakeholders is government because the government can create regulations and rules which have an impact on us.

Another interviewee identified government agencies' importance for the company.

I'd say that stakeholder groups like Ministry of Environment have a big stake in our company because our farmers need wood fuel for tobacco curing. The Ministry of Finance has a big stake because we contribute a large amount [of tax] to the national exchequer. (Interview 8: Social Reporting Manager)

In its Annual Report of 2005 the company commented,

The biggest external influence on the industry was the Smoking and Tobacco Product Usage (Control) Act 2005. It was promulgated by the Government of Bangladesh in March 2005 to fulfil its obligations as a party to the FCTC. (P.5)

It appears that over time tobacco policies have shifted from being supportive to becoming much more unfavourable in recent times, evidenced in recent measures taken in the fields of tobacco legislation and formulation of national tobacco strategy (e.g. increased tax, advertising ban and discouragement of tobacco cultivation). Whilst the company has survived in this rather unfavourable climate, such changes have clearly put it under intense pressure. This pressure has been further intensified by a hostile anti-tobacco movement and a critical media. These factors might well have had a bearing on ABC's subsequent decision to cease stand-alone social reporting.

5.2 The fall of stand-alone social reporting (2008-2010)

After examining the various drivers for undertaking social reporting in ABC, we now turn to an exploration of possible reasons for its cessation. By 2007 ABC had published three social reports and was preparing to publish the fourth one in 2009. In response to the question of why stand-alone social reporting ended in ABC several interviewees directed us to the head office saying that it was a decision taken at the centre (head office). In an email response ABC's South East Asia regional head of corporate and regulatory affairs wrote that it was in line with the intention to produce a consolidated global report instead of individual country level reports. He also noted that ABC would continue its CSR and stakeholder engagement activities.

The International Sustainability Manager at Head Office did indeed articulate the reason for cessation of social reporting in the end markets (including Bangladesh) as being due to a change of strategy on the part of the company – a decision taken by the central board of directors in 2009.

A number of factors were at play. ... we were getting feedback from our stakeholders that the [group] report should be more globally representative. So we were under pressure to include more information in there on end market activities. ... We're going through a large programme of global integration at the moment which means that we're reducing complexity and duplication within the organisation. ... We did a review of our social reporting globally... and the feedback that came back very strongly was whilst the dialogue was incredibly valuable ... the reporting side was less valuable. ... Whilst we did leave it to the market whether or not they wanted to report, the way that they reported was very much regimented. It was very intensive, involving an independent moderator facilitating the dialogue. The reports had to be assured and had to meet all the various requirements that we put in place. And reporting requirements were quite onerous... So ... we made the decision that *we would have only one sustainability report for the group* but that we would still encourage our markets to continue dialogue and to report on the dialogue that had taken place. (Interview 16: International Sustainability Manager, Head Office, Emphasis added)

On enquiry regarding how the proposed new stakeholder dialogue would be different from the previous dialogue carried out as part of social reporting process the interviewee clarified,

The only difference is that we've relaxed the requirements around assurance. ... *They were proving to be incredibly expensive in the end markets and also because one of our objectives is to relax the burden on the end markets.* So now they do need to be assured but the way that they can assure them is different. (Interview 16: International Sustainability Manager, Head Office, Emphasis added)

Thus the decision to discontinue stand-alone social reporting would appear to be part of a global rationalisation initiative designed to address the issue of resource constraints.

The economic imperative also surfaced in the following comment published in the parent company's 2009 sustainability report:

Not producing local reports will free up time and resources to concentrate on the implementation of the sustainability initiatives. Performance will continue to be monitored and reported through our audit and CSR committees. *Similarly, dialogue, transparency and accountability remain central to our approach.* Our local companies will continue to *engage with stakeholders* to help shape their local sustainability plans and initiatives. (p.6, Emphasis added)

At the same time local anti-tobacco groups were attacking the CSR communications of the tobacco companies. One interviewee remarked,

I think what is happening globally is that there is more and more pressure from anti-tobacco groups to stop the communication channels of tobacco companies. ... *CSR by the tobacco companies is also being challenged on its basic premises.* That's also local. I mean local tobacco control groups are actively talking about restricting CSR activities by the tobacco companies. (Interview 11: Head of Corporate Affairs, emphasis added)

The interviewee further commented on how the local anti-tobacco movement has been getting stronger, more vocal and critical in recent times,

In the last 3 years there has been a very special focus on Bangladesh as a market. *Bangladesh is one of the markets under the tobacco radar.* A Bloomberg initiative ... funds quite a few Bangladeshi tobacco control projects. And so this is already in their third year now.... GATS, where Bangladesh is among the first 3 markets in the region which features in the survey. If you are comparing the previous movement and the current phase and the current drive, there is a dramatic shift. (Interview 11: Head of Corporate Affairs, emphasis added)

The public relations nature of ABC's CSR activities was particularly singled out for criticism by one anti-tobacco campaigner interviewee,

I have been working in this field [anti-tobacco] for a long time. Although they are publicising that they are trying to address these issues [social and environmental] in a transparent and accountable way I remain far from convinced. They do it to protect their interests... Their CSR activities come down to planting trees after cutting

down trees for tobacco processing. This is becoming a farcical exercise. (Interview 18: Secretary General, Consumers' Advocacy NGO)

In similar vein a notable medical practitioner, and one of the earliest anti-tobacco campaigners in Bangladesh, questioned the credibility and sustainability of the company's activities together with the stakeholder dialogue based social reporting exercise:

I went there but that does not mean I support them or their activities. Discussion like this is good as you can hear the views from the tobacco companies and also express your own views.... Actually in the dialogue they described the social activities they are doing such as tree planting, health care activities etc. But if you critically analyse this you will see that they do it to make people understand that the tobacco companies are doing social activities, but that does not take away their social responsibility of killing people by selling tobacco. I said it many times in many words, if tobacco use can be shown to have one single benefit I will stop all my anti-tobacco activities.They have invited us to express our opinions. How much they will publish and give to their consumers is a big question. (Interview 19: Anti-tobacco campaigner)

As we have already noted, there is clear evidence of stricter enforcement of tobacco control laws in Bangladesh together with a policy shift in favour of the reduction of tobacco leaf cultivation and export and increases in taxation. Several NGOs and anti-tobacco pressure groups lobbied government for these policy shifts. All these factors arguably have had an impact on the company's decision to end stakeholder dialogue based stand-alone social reporting in Bangladesh.

Since the company ceased stand-alone social reporting a separate section on CSR has been introduced into the annual reports of 2008-2010. During this period the average CSR disclosure level within the annual reports increased slightly to 25.1%, as compared to 19.4% in the previous period (2003-2007). However, overall disclosure levels declined with the reduction being mainly attributable to the cessation of stand-alone reporting. Disclosure levels of these two periods are shown in Figure 2.

INSERT FIGURE 2 HERE

Figure 2 shows that after stabilisation of annual report disclosure levels over the stand-alone social reporting period (2003-2007) levels have increased since 2008, apparently to compensate for the discontinuation of stand-alone social reporting. However, while stand-alone social reporting provided more detailed specific disclosures based on formal stakeholder dialogue and adoption of the GRI guidelines it has not been possible to sustain that level of detail and specificity within the limited space of annual reports. Instead more general narratives have been provided for the years 2008-2010, with a separate CSR section introduced. Thus the increase in volume of disclosures in annual reports (during the post social reporting period 2008-2010) is not matched by the use of 'hard' indicators previously found in the stand-alone social reports. During the years 2008-2010 the company mainly highlighted its flagship CSR activities on afforestation (this time with an added claim of helping to prevent climate change), community development (e.g. education, health care and provision of drinking water and flood relief) and EHS activities. It is also noteworthy that since 2007 as part of a structured directors' report the company included a section titled, 'responsibility' which offered comment on its various CSR activities.

Further attempts at compensation for dropping stand-alone reporting were pointed to by a manager of the company as follows:

There are various avenues and media we are exploring. ..currently we are in the process of preparing a CSR brochure...Because our stakeholders...want to know about our CSR projects... we felt that we need some kind of hard copy reference...Previously what used to happen is that if someone was asking about our CSR projects we used to hand them our social reports ... But the social reports are no longer there...there is also one

recruitment website [where]... we have mentioned some CSR activities ... we don't however have plans to have a separate website ... (Interview 12: Communications Manager) [8]

Later in 2010 ABC did actually introduce a website which contains a brief CSR section. However, nothing new appeared here other than ABC's claim to be a 'responsible company' and a framing of its CSR agenda in terms of afforestation and community development initiatives (such as drinking water projects and promotion of sustainable agriculture in its tobacco farming areas). The website also draws attention to the company's support for 'sensible' regulation and expression of the belief that the tobacco industry should be part of such a development. Another theme covered by the newly introduced website centres around the issue of health. However, instead of countering claims concerning the issue of health hazards associated with tobacco cultivation and use the focus was one of projecting an image of a company which is striving to minimise the harms arising from tobacco use. [9]

While the parent company in its own sustainability report attempted to justify its decision in favour of producing one global report the Bangladesh subsidiary refrained from making any comments on its decision to discontinue stand-alone reporting. The only comment made in their 2008 annual report is that the company complied with all commitments made in their 2007 social report. Thus stand-alone reporting disappeared quietly.

Further, several interviewees from ABC drew attention to the fact that despite the discontinuation of stand-alone social reporting stakeholder engagement activities will continue. However, there is virtually no reporting of such engagements in the annual reports of 2008-2010 or in the newly introduced website. If we look at some of the sensitive issues raised during the stakeholder dialogue sessions of the social reporting process we see that the very fundamentals of ABC's activities were questioned. From our interviews and close scrutiny of the social reports it appears that there were deep tensions and uncertainty surrounding the dialogue and reporting process. Such tensions were apparent from some of the demands made by the stakeholders, which must have been uncomfortable and painful to the company. Examples include a demand for cessation of tobacco farming, discontinuation of cigarette manufacturing business and disclosure of the company's marketing expenditures. Such demands have not been met.

Two other important demands made by the stakeholders concerned rewriting the company's vision statement emphasising its social responsibility and the need to shift the company's factory to a non-residential area. The company's response regarding the vision statement issue was as follows:

Our vision statement "Extend our leadership through world-class performance" was first introduced in 1998 and still holds good today in driving our business decisions. Since then in 2002 we have introduced a new corporate slogan "Success and Responsibility Go Together" that supports our vision and emphasises our commitment to be a responsible company. With the vision and corporate slogan together we believe there is no need to revisit the vision statement. (Social Report 2002-2003, p.46)

ABC's factory and head office are located within a residential area so the demand for shifting their operations appears to be a legitimate one by the neighbourhood community. We interviewed the general secretary of the neighbourhood council who participated in the stakeholder dialogue and expressed his concerns as follows:

This is a residential area. Tobacco consumption creates a health hazard. No tobacco factory should be here.... They are not welcome by the people of this area. People have been telling us that the factory should be shifted to another place. The bad odour and the smell of tobacco coming from the factory are very disturbing to the people of this area. We raised the issue with the company and they established a bio filter system. But that was not sufficient. We are still having this bad smell of tobacco. In recent times it has increased rather aggressively. (Interview 20: Secretary Neighbourhood Council)

In response to stakeholder demand for shifting company's operations from its existing residential area the company expressed their views as follows:

While we do not have plans for shifting our factory [from this area], we will continue to engage with local neighbours in order to understand and address their concerns on factory emissions issues. (Social Report 2003-5, p.57)

Thus it would appear that the company only sought to meet stakeholder demands where it was convenient for them to do so without 'hurting' (Gray, 2001) too much of their commercial interests. Regarding the issues noted above, stakeholders had no redress when the company declined to meet these rather uncomfortable demands. This illuminates the tensions surrounding the company's stakeholder dialogue process and realistically what it can achieve in the absence of any stakeholder empowerment mechanism in the social reporting process (Cooper & Owen, 2007). Under these circumstances one can also question the possibility of continuing such a process in the longer term. Thus, the whole stakeholder dialogue based social reporting process becomes untenable. Ultimately, ABC had to bring it to an end to avoid further scrutiny and criticism.

6. Discussion

The main aim of this paper has been to examine the underlying drivers for the rise and subsequent fall of stand-alone CSR reporting by the Bangladesh based subsidiary of a leading multinational tobacco company (ABC). Analysis summarised in Table 3 suggests that the average level of CSR disclosures within the annual reports during the pre stand-alone social reporting period (1975-2002) stood only at 8.2%. During the social reporting period (2003-2007) disclosure levels within the annual reports and social reports stood at 19.4% and 40.5% respectively. Figure 1 indicates that disclosures within the annual report stabilised, to some extent, during the social reporting period (2003-2007) before picking up again in the post social reporting period (2008-2010) at 25.1%. However, the overall disclosure level has clearly been reduced. While some compensation was sought for the discontinuation of stand-alone reporting via annual report and website disclosures we observed that there were significant differences in the nature of disclosures provided. The disclosures within the stand-alone social reports are detailed and specific, as opposed to the annual report disclosures which appear to be more general and vague. In addition to report analysis substantial interview evidence has been collected from senior managers of ABC and its various key stakeholders. The interview analysis suggests that the rise and the subsequent cessation of CSR reporting at ABC were driven by a combination of complex global and local forces (Hah & Freeman, 2013; Muller, 2006). Global forces include ABC's head office based in Europe, the WHO and FCTC, CDC, the Bloomberg Initiatives and Path, Canada. Local forces include various government agencies, local media, NGOs and anti-tobacco pressure groups. We now interpret these findings with reference to the theoretical framework, prior research and the contextual insights provided earlier in the paper. We have argued that during the study period ABC moved through different legitimacy phases (Tilling and Tilt, 2010) and used various legitimation techniques with associated different CSR disclosure strategies. This is shown in Table 3.

INSERT TABLE 3 HERE

Early social disclosures within the annual report (pre social reporting period of 2003-2007) suggest that ABC was trying to *establish* its legitimacy quite early in its operations in Bangladesh constructing its socially responsible image by drawing attention to economic contributions (e.g. a significant private sector tax provider and contribution to employment generation). A careful reading of CSR disclosures within this period reveals that for the first time in its annual reports of 1999 and 2000 ABC published its views on tobacco marketing and smoking whilst also publishing a marketing

code of conduct. Apparently ABC was *defending* its legitimacy. In 1999 ABC faced significant criticism from media and the anti-tobacco groups centring on a promotional campaign for one of its major products. It is also noteworthy that in 1999 the WHO decided to start work on the FCTC. We noted earlier that the Bangladesh government played a significant part in the development of the FCTC. Around this time the anti-tobacco movement also gained momentum with the formation of BATA specifically as a response to ABC's above mentioned promotional campaign. Since then BATA has gained further strength and accelerated its anti-tobacco programmes whilst also playing a significant role in the development and implementation of tobacco policies and legislation as evidenced by its membership in all the relevant taskforces established for enforcing tobacco control legislation in Bangladesh. Disclosures during this period were predominantly *symbolic* in nature aimed at obtaining *pragmatic* legitimacy via drawing attention to economic contributions.

Following an attempt to *defend* itself against the legitimacy threats outlined above ABC appears to have aimed to *maintain* its legitimacy by stabilising disclosures within the annual reports during the period of 2003-2007. However, during this period ABC also commenced its stand-alone CSR reporting initiative with encouragement from head office. Significantly it was the first company in Bangladesh to go down this route. We interpret this as an attempt to *extend* legitimacy into a new area where ABC had never been before. Several interviewees suggested that stand-alone social reporting gave them a formal space to legitimise the company's activities which was hitherto not available to them. ABC introduced stand-alone social reporting before the enactment of tobacco control legislation in Bangladesh in 2005 and adoption of the national tobacco control strategy in 2007. Corporate interviewees noted that one of the purposes of this initiative was to influence the approach towards tobacco policy in Bangladesh. Ashforth & Gibbs (1990) suggest that organisations at this phase of legitimacy might engage in both *substantive* and *symbolic* legitimation techniques. The stand-alone reporting process, characterised by stakeholder dialogue, use of international external verifiers and compliance with international standards and norms (e.g. AA 1000 and the GRI Guidelines), seems to provide evidence of *substantive* legitimation by conforming to established international rules and norms which would not be normally expected in Bangladesh. During this period ABC created a CSR committee (headed by the Chief Executive and including in its membership all functional departmental heads), appointed a social reporting manager and established a social reporting system together with a CSR unit within its department of CORA. At the same time the company also continued in various *symbolic* disclosures within its annual reports, primarily drawing attention to economic contributions to the national exchequer and environmentally responsive activities such as afforestation.

During this period (2003-2007) Bangladesh signed up to the FCTC and as part of its commitment to the Convention passed tobacco control legislation in 2005 banning tobacco advertisements and imposing a health warning requirement of at least 30% of the total area of cigarette packets as opposed to the 10% ABC voluntarily signed up to via its marketing code of conduct published in its annual report of 2000. Additionally, the national tobacco control strategy was produced in 2007 with the explicit aim of increasing tobacco taxation, reducing tobacco production and use and introducing measures for the implementation of tobacco control legislation. At this time local NGOs also started lobbying the government for higher tobacco tax, stricter enforcement of legislation and amendment of tobacco laws incorporating the provision of pictorial health warnings. They also undertook research showing the ill effects of tobacco cultivation. Anti-tobacco groups successfully organised various awareness campaigns and lobbied the government for the enactment of stricter tobacco legislation. In addition to their 1999 campaign against one of the ABC's major promotional activities, on 30th May, 2004 some anti-tobacco groups rallied against another big promotional event held by ABC at a city hotel. They arrived on bikes at the hotel and handed over letters to the hotel

and the media pointing out that ABC's event was targeted at the youth market in order to promote company's business. Finally, various international organisations (e.g. the Bloomberg Initiatives, Path Canada, CDC and WHO) lent their support to anti-tobacco measures. Our corporate interviewees referred to significant pressures created by the media, NGOs and anti-tobacco groups.

From the stakeholder dialogue process organised by ABC as a central feature of its social reporting initiative it was becoming clear that some stakeholder demands were clearly not going to be met as ABC did not intend to carry out any fundamental changes to its business practices. This is consistent with the *symbolic* legitimisation techniques noted in section 3 of this paper. Demands raised in the first and second reporting cycle were indeed not followed up in the third cycle, the main theme of which was focused on tobacco cultivation and provides an example of ABC controlling the disclosure agenda. The theme of tobacco cultivation was apparently selected specifically to respond to the criticism the tobacco industry was receiving on this issue in the media. Finally, in 2009 ABC scrapped the entire stand-alone reporting process and attempted to provide some compensation for this move via increasing annual report disclosures in 2008-2010. They also introduced a website in 2010 which addressed various CSR issues in general terms and contained some standard narratives on health issues and regulation. This change of strategy can be considered as an 'avoidance tactic' (Oliver, 1991) in 'conforming ceremonially' or providing a 'symbolic gesture of compliance'.

During the social reporting period as part of legitimacy *extension* activities ABC pursued *construing* (Reast et al., 2013) or moral reasoning strategy (Scherer et al., 2013) by engaging in a discursive dialogue with the anti-tobacco groups. The aim was to obtain moral legitimacy. As part of the dialogue process ABC invited one of the significant anti-tobacco campaigners, an eminent medical practitioner of the country, who we interviewed as part of this study (interviewee 19). We have learned that although he went to the dialogue he refused to have lunch provided by ABC and remained far from convinced by ABC as evidenced by the interview quote provided in the findings section. We surmise that ABC's *construing* strategy to obtain *moral* legitimacy failed even to negotiate a minimum level of passive support.

Having considered the pre social reporting and the social reporting period (2003- 2007) let us now turn our attention to the post social reporting period (2008-2010) in more detail. What marks the cessation of standalone social reporting in ABC? In the context of stricter global (FCTC) and local tobacco control regulation, increases in tobacco taxation (including a 10% levy on tobacco exports), a critical media, community level protests against tobacco cultivation and immense anti-tobacco pressures instead of further attempting to *defend* its legitimacy with enhanced disclosures the company abandoned stand-alone reporting altogether. ABC changed both the nature of disclosures (from detailed specifics to general narratives) and the medium of disclosure (from stand-alone reports to annual reports and website).

The above moves on the part of ABC appear somewhat perplexing. Apparently, they run against the predictions of legitimacy theory which suggest that under the circumstances faced the company would continue to use *defence* and *maintenance* strategies with enhanced disclosures. Instead what we see is the complete abandonment of stand-alone social reporting together with discontinuation of formal stakeholder dialogue. However, in the light of recent conceptualisations of legitimacy theory by de Villiers and van Staden (2006) and Tilling and Tilt (2010) it can be argued that such change in reporting strategies can also be interpreted with reference to legitimacy theory.

In the social reporting process ABC apparently realised that some stakeholder demands were irreconcilable with ABC's corporate interests, thereby making the whole process untenable. Our stakeholder interviewees suggested that they remained far from convinced about ABC's intention (or

ability) to change fundamentally in response to the substantial demands faced by them. It can be further argued that detailed disclosures within the stand-alone social reports exposed ABC to more rather than less scrutiny (O'Dwyer, 2002) and simply served to open a 'Pandora's Box', as noted by one of our corporate interviewees. Indeed this is evidenced by the subsequent intense media scrutiny, enactment of stringent tobacco legislation, increased tax, a comprehensive ban on advertising, shifts in government policy, ever mounting pressures from NGOs and finally, failure to establish moral legitimacy via stakeholder dialogue based reporting. These developments provide evidence of an organisation losing legitimacy over time and entering a 'loss' phase of legitimacy (Tilling and Tilt, 2010) whereby ABC no longer thought of stand-alone reporting as an effective tool to legitimise their activities (de Villiers and van Staden, 2006, condition no. 5). They replaced such detailed reporting with much shorter general *symbolic* narratives within annual reports and a website whereby a better story can be told without giving up the claim of being a responsible company (condition no. 6). This would appear to confirm the assertion made by de Villiers and van Staden (2006) that managers would reduce, or cease, reporting with 'the hope that this will assist in reducing the importance of the issue' (condition no. 4). We also observe that during the first two reporting cycle some of the issues raised in the stakeholder dialogue turned 'sensitive' (condition no. 7) to the extent that ABC had to move away from those issues drawing attention to the issue of tobacco cultivation which became the sole focus of the third reporting cycle. We did not find much support for the condition numbers 1-3, listed by de Villiers and van Staden (2006), due to the contextual specificity of our study.

According to one of the corporate interviewees, the introduction of stand-alone social reporting was to some extent motivated by the ABC's desire to influence the development of local tobacco regulation and policy formulation. The desire to *extend* legitimacy in this way clearly did not succeed as evidenced by the subsequent enactment of stricter tobacco control laws and national tobacco strategy. It could be argued that the failure of this *extension* attempt is further evidenced by the unanticipated legitimacy threatening demands of stakeholders noted earlier together with the enhanced scrutiny of ABC's activities by anti-tobacco groups. This is what Ashforth & Gibbs (1990) termed the 'double edge' of legitimation: 'attempts to increase [or extend] legitimacy may trigger a series of vicious circles which ultimately decrease legitimacy' (p.177). From this we surmise that instead of *extending* legitimacy ABC *lost* its legitimacy triggering the final phase of *abandonment* – starting all over again in an attempt to rebuild or re-establish its legitimacy. We also argue that in the context of an organisation losing legitimacy ABC's change of gear from high (*substantive*) comprehensive stand-alone reporting to low (*symbolic*) annual reports and website reporting was a deliberate attempt to *control* (Richardson, 1985) the disclosure agenda and information flows to stakeholders (Adams et al, 1995).

7. Conclusions, implications, contributions and future research

To conclude, the rise and fall of stand-alone CSR reporting in ABC cannot be attributed to one single factor, rather we argue that it was driven by a complex combination of global and local forces. While the global forces include the influence of ABC's head office, the WHO and various other international institutions local forces include shifts in the government's tobacco policy over time, tightened regulation and a strong local anti-tobacco campaign orchestrated by the concerted efforts of the media, NGOs and anti-tobacco groups.

At this point we would like to reflect on the circumstances leading to ABC's abandonment of stand-alone CSR reporting. The decision to cease stand-alone CSR reporting was influenced by the head office. Clearly this decision came against a backdrop of global criticism of its CSR activities from the policy makers such as the WHO, regulators and anti-tobacco groups. It can be argued that these

phenomena are linked to local developments. For example, in addition to its global actions the WHO, Bangladesh worked to strengthen the national tobacco control laws and policies. They also strongly supported the campaigns of local anti-tobacco groups. While the analysis of the full global phenomenon is beyond the scope of this paper we highlight local factors which might have contributed to the cessation of stand-alone CSR reporting. In addition to the local factors noted above, our analysis in the previous sections reveal that failure of the *construing* strategy to win over the support of the anti-tobacco groups and the irreconcilable demands placed on the stakeholder dialogue process did not leave much scope for such stakeholder dialogue based stand-alone CSR reporting which appeared to be too expensive for ABC both financially and reputationally. The expensive nature of stakeholder dialogue based stand-alone CSR reporting was highlighted by our interviewee number 16 (international sustainability manager in head office). Reputational costs seem to have arisen from the call by the anti-tobacco groups for regulation to restrict CSR activities of tobacco companies in Bangladesh and government hints of such regulation being imposed. Moreover, the significant legitimacy extension initiative via stakeholder dialogue based stand-alone CSR reporting increased the socio-political exposure of ABC as evidenced by shifting tobacco policy, increased tax, tougher regulation and strengthened anti-tobacco movements significantly influencing the regulatory and policy initiatives.

From the above discussion we could theorise the circumstances which could lead to the discontinuation of stakeholder dialogue based voluntary stand-alone CSR reporting:

- Failure of a *construing* strategy to obtain threshold level moral legitimacy by winning over the opposing skeptical stakeholder groups.
- Danger of stakeholder dialogue based deliberations opening up opportunities for stakeholders to place demands which organisations find themselves unable to meet.
- The threat of restricting CSR activities by the state machinery instigated by the opposing skeptical stakeholder groups.
- Increased socio-political visibility and exposure as a result of attempts to extend legitimacy leading to what Ashforth and Gibbs (1990) termed as ‘self-promoter’s paradox’.

7.1 Theoretical implications

A number of theoretical implications arise from our findings and analysis. Firstly, Deegan (2014) notes that the lack of studies within the social and environmental accounting literature demonstrating the links between phases of legitimacy and legitimation techniques is a weakness in the current development of legitimacy theory. We have provided theoretical discussion (see section 2) and empirical illustration (See Table 3) of these links. Secondly, given the different nature and intensity of the legitimacy threats in a controversial sector like tobacco current articulation of legitimacy theory within the social and environmental accounting literature might be inadequate. We introduce a legitimacy framework (see Table 1) from the business ethics literature which is specifically developed for controversial sectors. This has provided additional insights particularly with reference to the attempts to obtain moral legitimacy from skeptical stakeholder groups via a *construing* strategy. Finally, using the legitimacy theory framework developed in section 3 of this paper we theorise the circumstances leading to the cessation of stakeholder dialogue based voluntary stand-alone CSR reporting.

7.2 Policy implications

The paper has two implications for policy makers concerning the future prospects for stand-alone social/sustainability reporting as a means of enhancing organisational transparency and accountability. Firstly, it shows that there is a danger in putting blanket trust in *voluntary* reporting initiatives as organisations might simply unilaterally decide to cease such reporting when it is perceived as going against fundamental corporate interests. Secondly, doubt is cast as to the effectiveness of current stakeholder dialogue practice within the reporting process. In spite of ABC's attempt to increase the credibility of the process by following international best practice norms such as AA1000 and the GRI Guidelines together with the use of independent moderators and assurance providers they did not manage to win over the confidence of skeptical stakeholders such as anti-tobacco groups. Ultimately, as was the case in this study, formal stakeholder dialogue can be abandoned if stakeholder demands appear irreconcilable with corporate interests.

7.3 Contributions and future research

The paper contributes to the social and environmental accounting literature by providing field work based case study evidence collected from a multinational subsidiary operating in Bangladesh where currently there is a distinct lack of research. By doing so it responds to the recent call for case study based research by Hopwood (2009) to examine the various motives implicated in the (non-) production of corporate sustainability reports. As far as we know this is the first study which theorises and provides significant fieldwork based empirical evidence regarding the discontinuation of stand-alone social reporting by a multinational company operating in a developing country. Thus, it extends previous desk-based attempts at using legitimacy theory to explain a decrease (or discontinuity) in CSR disclosures by de Villiers and van Staden (2006) and Tilling and Tilt (2010).

We acknowledge that our theoretical ambition in this paper is limited, given the significant empirical contribution articulated above. However, responding to the call for legitimacy theory development by Deegan (2014) we show the links between different phases of legitimacy and legitimation techniques (See Table 3) which should lead to a better understanding of legitimacy theory. We also contribute to legitimacy theory development by introducing a legitimacy theory framework (see Table 1) specifically designed for a controversial sector.

Although the current paper deals with the tobacco sector only it might have implications for other controversial sectors, for example arms manufacturing, gambling, and adult entertainment. It would be useful to know whether the circumstances leading to ABC's decision to cease stand-alone reporting are more widely applicable to companies in other controversial sectors.

Notes

1. By way of illustration in the context of this study, in 2002 the combined annual sales revenues (more than US\$ 121 billion) of Japan Tobacco, Philip Morris/Altria and British American Tobacco, the world's three largest tobacco multinationals, were greater than the total combined GDP of 27 developing countries (WHO, 2004).
2. ADHUNIK is an acronym for the Bengali words 'Amra Dhumpan Nibarun Kori' ('We Prevent Smoking').
3. This effectively reverses the previous 10% cash subsidy to tobacco leaf exporters introduced in 2003.
4. Some previous social and environmental accounting researchers used the notions of legitimacy and reputation interchangeably. However, Bebbington, Larrinaga, and Moneva (2008) argue that there are subtle differences between them although they have overlaps. According to them, while reputation is a relative measure, legitimacy is bimodal in nature. Invoking the reputation risk management (RRM) thesis they viewed CSR reporting as "reputation discourses" aimed both at "the outside" and at "the self" (p.346). Using Shell's 2002 report as an empirical illustration they concluded that in this case discourses were aimed at "the self". On the other hand, following legitimacy theory it is argued that, against the backdrop of legitimacy threats, CSR disclosures are aimed at external stakeholders. Since we believe that ABC's corporate discourses are primarily aimed at "the outside" we have adopted a legitimacy perspective in this paper. This is in line with the majority of previous research in social and environmental accounting.
5. Additional criteria for choosing these corporate interviewees include their ability to comment on the past CSR activities of ABC and to provide significant insights into the decision making and policy perspectives of ABC's CSR and reporting.
6. These materials can be obtained from the authors on request.
7. One can of course question whether the early disclosures of ABC could be expected to meet the comprehensive demands of the GRI Guidelines. However, we have used the Guidelines to ensure consistency of comparison between different reporting periods against a common base, and in view of the fact that the GRI Guidelines have become a *de facto* standard for sustainability reporting for companies around the world (Etzion & Ferraro, 2010).
8. However, the CSR brochure has not been published subsequently due to lack of approval from the centre and the regional office.
9. We did not include website disclosure in our analysis for two reasons. Firstly, it started towards the end of 2010 which is also the endpoint of our study. Secondly, yearly website disclosure data would not be possible to obtain in order to make it comparable to the annual reporting and social reporting data. However, ongoing perusal of the website indicates there have been no major changes in disclosure strategy via that medium post 2010.

References

- Adams, C. A., Coutts, A. and Harte, G. (1995), "Corporate Equal Opportunities (Non-) Disclosure", *British Accounting Review*, Vol. 27 No. 2, pp. 87-108.
- Ashforth, B. E. and Gibbs, B. W. (1990), "The Double-Edge of Organizational Legitimation", *Organization Science*, Vol. 1 No. 2, pp. 177-194.
- Barkat, A., Chowdhury, A., Nargis, N., Rahman, M., Kumar Pk, A., Bashir, S. and Chaloupka, F. (2012), *The Economics of Tobacco and Tobacco Taxation in Bangladesh*, International Union Against Tuberculosis and Lung Disease, Paris.
- Bebbington, J. and Gray, R. (2001), "An Account of Sustainability: Failure, Success and a Reconceptualization", *Critical Perspectives on Accounting*, Vol. 12 No. 5, pp. 557-588.
- Bebbington, J., Larrinaga, C. and Moneva, J. M. (2008), "Corporate social reporting and reputation risk management", *Accounting, Auditing & Accountability Journal*, Vol. 21 No. 3, pp. 337-361.
- Beddewela, E. and Herzig, C. (2013), "Corporate social reporting by MNCs' subsidiaries in Sri Lanka", *Accounting Forum*, Vol. 37 No. 2, pp. 135-149.
- Belal, A. and Momin, M. (2009), "Corporate Social Reporting (CSR) in emerging economies: A review and future direction", *Research in Accounting in Emerging Economies*, Vol. 9, pp. 119-143.
- Belal, A. R. (2008), *Corporate Social Responsibility Reporting in Developing Countries: The Case of Bangladesh*, Ashgate, Aldershot.
- Belal, A. R. and Cooper, S. (2011), "The Absence of Corporate Social Responsibility Reporting in Bangladesh", *Critical Perspectives on Accounting*, Vol. 22 No. 7, pp. 654-667.
- Belal, A. R. and Owen, D. (2007), "The Views of Corporate Managers on the Current State of, and Future Prospects for, Social Reporting in Bangladesh: An Engagement Based Study", *Accounting, Auditing & Accountability Journal*, Vol. 20 No. 3, pp. 472-494.
- Buzby, S. L. and Falk, H. (1978), "A survey of the interest in social responsibility information by mutual funds", *Accounting, Organizations and Society*, Vol. 3 No. 3-4, pp. 191-201.
- Campbell, D., Craven, B. and Shrivs, P. (2003), "Voluntary social reporting in three FTSE sectors: a comment on perception and legitimacy", *Accounting, Auditing and Accountability Journal*, Vol. 16 No. 4, pp. 558 - 581.
- Chelli, M., Richard, J. and Durocher, S. (2014), "France's new economic regulations: insights from institutional legitimacy theory", *Accounting, Auditing & Accountability Journal*, Vol. 27 No. 2, pp. 283-316.
- Cho, C. H. (2009), "Legitimation Strategies Used in Response to Environmental Disaster: A French Case Study of Total S.A.'s Erika and AZF Incidents", *European Accounting Review*, Vol. 18 No. 1, pp. 33-62.
- Cho, C. H. and Patten, D. M. (2007), "The role of environmental disclosures as tools of legitimacy: A research note", *Accounting, Organizations and Society*, Vol. 32 No. 7-8, pp. 639-647.
- Cooper, S. M. and Owen, D. L. (2007), "Corporate social reporting and stakeholder accountability: The missing link", *Accounting, Organizations and Society*, Vol. 32 No. 7-8, pp. 649-667.
- de Klerk, M. and de Villiers, C. (2012), "The value relevance of corporate responsibility reporting: South African evidence", *Meditari Accountancy Research*, Vol. 20 No. 1, pp. 21-38.
- de Villiers, C. (1999), "Corporate Social Reporting in South Africa: Signs of a pygmy awakening? ", *Social and Environmental Accounting*, Vol. 19 No. 2, pp. 5-7.
- de Villiers, C. and van Staden, C. J. (2006), "Can less environmental disclosure have a legitimising effect? Evidence from Africa", *Accounting, Organizations and Society*, Vol. 31 No. 8, pp. 763-781.

- Deegan, C. (2014), "An overview of legitimacy theory as applied within the social and environmental accounting literature", in Bebbington, J., Unerman, J. and O'Dwyer, B. (Eds.), *Sustainability Accounting and Accountability*. Routledge, London, pp. 248-272.
- Dey, C. (2007), "Social accounting at Traidcraft plc: an ethnographic study of a struggle for the meaning of fair trade", *Accounting, Auditing and Accountability Journal*, Vol. 20 No. 3, pp. 423-445.
- Etzion, D. and Ferraro, F. (2010), "The Role of Analogy in the Institutionalization of Sustainability Reporting", *Organization Science*, Vol. 21 No. 5, pp. 1092-1107.
- Gray, R. (2001), "Thirty years of social accounting, reporting and auditing: What (if anything) have we learnt?", *Business Ethics: A European Review*, Vol. 10 No. 1, pp. 9-15.
- Gray, R. (2002), "The social accounting project and Accounting, Organisations and Society: Privileging engagement, imaginings, new accountings and pragmatism over critique?", *Accounting, Organisations and Society*, Vol. 27 No. 7, pp. 687-708.
- Hah, K. and Freeman, S. (2013), "Multinational Enterprise Subsidiaries and their CSR: A Conceptual Framework of the Management of CSR in Smaller Emerging Economies", *Journal of Business Ethics*, Vol. 122 No. 1, pp. 125-136.
- Hopwood, A. G. (2009), "Accounting and the environment", *Accounting, Organizations and Society*, Vol. 34 No. 3-4, pp. 433-439.
- Islam, M. and Deegan, C. (2010), "Media pressures and corporate disclosure of social responsibility performance information: a study of two global clothing and sports retail companies", *Accounting and Business Research*, Vol. 40 No. 2, pp. 131.
- Islam, M. A. and Deegan, C. (2008), "Motivations for an organisation within a developing country to report social responsibility information: Evidence from Bangladesh", *Accounting, Auditing and Accountability Journal*, Vol. 21 No. 6, pp. 850 - 874.
- Korten, D. C. (2001), *When Corporations Rule the World*, Kumarian Press, Connecticut.
- Maali, B., Casson, P. and Napier, C. (2006), "Social reporting by Islamic banks", *Abacus*, Vol. 42 No. 2, pp. 266-289.
- Metzler, M. S. (2001), "Responding to the legitimacy problems of big tobacco: An analysis of the "people of Philip Morris" image advertising campaign", *Communication Quarterly*, Vol. 49 No. 4, pp. 366-381.
- Miles, M. B., Huberman, A. M. and Saldana, J. (2013), *Qualitative Data Analysis*, Sage, Beverly Hills, CA.
- Moerman, L. and Van der Laan, S. (2005), "Social reporting in the tobacco industry: all smoke and mirrors? ", *Accounting, auditing and accountability journal*, Vol. 18 No. 3, pp. 374-389.
- Momin, M. and Parker, L. D. (2013), "Motivations for corporate social responsibility reporting by MNC subsidiaries in an emerging country: The case of Bangladesh", *British Accounting Review*, Vol. 45 No. 3, pp. 215-228.
- Muller, A. (2006), "Global Versus Local CSR Strategies", *European Management Journal*, Vol. 24 No. 2-3, pp. 189-198.
- O'Dwyer, B. (2002), "Managerial perceptions of corporate social disclosure: An Irish story", *Accounting, Auditing and Accountability Journal*, Vol. 15 No. 3, pp. 406-436.
- O'Dwyer, B. (2004), "Qualitative Data Analysis: Illuminating a Process for Transforming a 'Messy' but 'Attractive' 'Nuisance'", in Humphrey, C. and Lee, B. (Eds.), *The Real Life Guide to Accounting Research*. Elsevier, Oxford, pp. 391-407.
- O'Dwyer, B. (2005), "The construction of a social account: a case study in an overseas aid agency", *Accounting, Organizations and Society*, Vol. 30 No. 3, pp. 279-296.
- O'Dwyer, B., Owen, D. and Unerman, J. (2011), "Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting", *Accounting, Organizations and Society*, Vol. 36 No. 1, pp. 31-52.

- Oliver, C. (1991), "Strategic responses to institutional processes", *Academy of Management Review*, Vol. 16 No. 1, pp. 145-179.
- Owen, D. (2008), "Chronicles of wasted time? A personal reflection on the current state of, and future prospects for, social and environmental accounting research ", *Accounting, Auditing and Accountability Journal*, Vol. 21 No. 2, pp. 240 - 267
- Parker, L. D. (2005), "Social and environmental accountability research: a view from the commentary box", *Accounting, Auditing and Accountability Journal*, Vol. 18 No. 6, pp. 842-860.
- Patten, D. M. (2014), "Environmental Disclosure as Legitimation: Is It in the Public Interest?", in Mintz, S. (Ed.), *Accounting for the Public Interest*. Springer, Amsterdam, pp. 201-215.
- Rahaman, A. S., Lawrence, S. and Roper, J. (2004), "Social and environmental reporting at the VRA: institutionalised legitimacy or legitimation crisis?", *Critical Perspectives on Accounting*, Vol. 15 No. 1, pp. 35-56.
- Reast, J., Maon, F., Lindgreen, A. and Vanhamme, J. (2013), "Legitimacy-Seeking Organizational Strategies in Controversial Industries: A Case Study Analysis and a Bidimensional Model", *Journal of Business Ethics*, Vol. 118 No. 1, pp. 139-153.
- Richardson, A. J. (1985), "Symbolic and substantive legitimation in professional practice", *Canadian Journal of Sociology*, Vol. 10 No. 2, pp. 139-152.
- Ryan, B., Scapens, R. and Theobald, M. (2002), *Research Method and Methodology in Finance and Accounting*, Thomson, London.
- Scherer, A. G., Palazzo, G. and Seidl, D. (2013), "Managing Legitimacy in Complex and Heterogeneous Environments: Sustainable Development in a Globalized World", *Journal of Management Studies*, Vol. 50 No. 2, pp. 259-284.
- Suchman, M. C. (1995), "Managing Legitimacy: Strategic and Institutional Approaches", *The Academy of Management Review*, Vol. 20 No. 3, pp. 571-610.
- Tilling, M. (2004), "Some thoughts on legitimacy theory in social and environmental accounting", *Social and Environmental Accountability Journal*, Vol. 24 No. 2, pp. 3-7.
- Tilling, M. and Tilt, C. (2010), "The edge of legitimacy: Voluntary social and environmental reporting in Rothmans' 1956-1999 annual reports", *Accounting, Auditing and Accountability Journal*, Vol. 23 No. 1, pp. 55 - 81.
- WHO. (2004), "Tobacco and Poverty: A Vicious Circle", in. World Health Organisation (WHO), Geneva.
- WHO. (2009), "Global Adult Tobacco Survey (GATS): Bangladesh Report 2009 ", in. World Health Organisation (WHO), Dhaka.

Table 1: A legitimacy framework for a controversial sector

Legitimacy Strategies	Construing	Earning	Bargaining	Capturing
Foundations	Interactional (dialogue based)	Transactional (spend resources)	Transactional (spend resources)	Interactional (dialogue based)
Objective of legitimacy seeking behaviour	Threshold legitimacy via passive support	Threshold legitimacy via passive support	Auxiliary legitimacy via active support	Auxiliary legitimacy via active support
Illustrative target stakeholder groups	Faith groups/media	City Council/faith groups	Local businesses /community	City Council and its network of local partners
Forms of Legitimacy	Moral (cognitive)	Moral	Pragmatic	Moral (cognitive)
Source: Adapted from Reast et al (2013)				

Table 2: Details of Interviews

Code number of Interviews	Designation of Interviewee	Department/Organisation	Date of Interviews
1.	Head 1	Corporate and Regulatory Affairs (CORA)	February, 2002
2.	Head 2	Corporate and Regulatory Affairs (CORA)	April, 2006
3.	Head (also company secretary and member, board of directors)	Legal	April, 2006
4.	CSR Manager 1	Corporate and Regulatory Affairs (CORA)	April, 2006
5.	Development Affairs Manager	Corporate and Regulatory Affairs (CORA)	April, 2006
6.	Head 2	Corporate and Regulatory Affairs (CORA)	July, 2007
7.	CSR Manager 2	Corporate and Regulatory Affairs (CORA)	July, 2007
8.	Social Reporting Manager	Corporate and Regulatory Affairs (CORA)	July, 2007
9.	Chairman	N/A	January, 2009
10.	Finance Director	Finance	February, 2010
11.	Head 3	Corporate and Regulatory Affairs (CORA)	February, 2010
12.	Communication Manager	Corporate and Regulatory Affairs (CORA)	February, 2010

13.	External Communication and CSR Manager	Corporate and Regulatory Affairs (CORA)	February, 2010
14.	Head 3	Corporate and Regulatory Affairs (CORA)	May, 2010
15.	Environment, Health and Safety Officer	Operations	May, 2010
16.	International Sustainability Manager	ABC's Head Office, London	July, 2010
17.	Medical Practitioner and anti-tobacco campaigner	Bangladesh Anti-Tobacco Alliance (BATA)	January, 2009
18.	Secretary General	Consumers' Association of Bangladesh	January, 2009
19.	Medical Practitioner and anti-tobacco campaigner	Anti-tobacco NGO	July, 2009
20.	Secretary	Residential Community Council in the neighbourhood of ABC	July, 2009
21.	Joint Secretary	Ministry of Health, Bangladesh	March, 2010
22.	Deputy Director (Tobacco)	Cash Crop Wing, Department of Agricultural Extension, Ministry of Agriculture, Bangladesh	March, 2010

(Note: During the nine year interview period (2002-2010) we came across several major changes in the CSR unit located within the CORA function of ABC. Head of CORA 1- 3, CSR Managers 1 and 2 represent different interviewees holding the same position over the interview period.)

Table 3: Changes in ABC's CSR disclosure strategies

CSR disclosure periods	Pre stand-alone social reporting (Before 2003)	Stand-alone social reporting (2003-2007)	Post stand-alone social reporting (2008-2010)
CSR disclosure strategies	<ul style="list-style-type: none"> Disclosures within annual reports 	<ul style="list-style-type: none"> Stand-alone social reporting Disclosures within annual reports continued 	<ul style="list-style-type: none"> <i>No stand-alone social reporting</i> Disclosures within annual reports continued Website disclosures started
Legitimation phases	<ul style="list-style-type: none"> Establishment and Defence 	<ul style="list-style-type: none"> Maintenance and Extension 	<ul style="list-style-type: none"> Loss and abandonment
Legitimation techniques	<ul style="list-style-type: none"> Symbolic 	<ul style="list-style-type: none"> Symbolic and Substantive 	<ul style="list-style-type: none"> Symbolic
Regulatory control and pressures from media and civil society including anti-tobacco groups	<ul style="list-style-type: none"> BATA was established in 1999 	<ul style="list-style-type: none"> Tobacco control legislation passed National Tobacco Control Strategy framed National Tobacco Control Cell (NTCC) established 	<ul style="list-style-type: none"> Demand for pictorial warning in cigarette packs Hint of further tightening of tobacco control legislations restricting CSR activities, increased tax etc.
Intensity of the above pressures and perceived legitimacy threats	<ul style="list-style-type: none"> Low (overall) 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Very High
Average CSR disclosure levels	<ul style="list-style-type: none"> 8.2% (AR*) 	<ul style="list-style-type: none"> 40.5% (SR*); 19.4% (AR) 	<ul style="list-style-type: none"> 25.1% (AR)
*[Annual reports (AR) and social reports (SR)]			

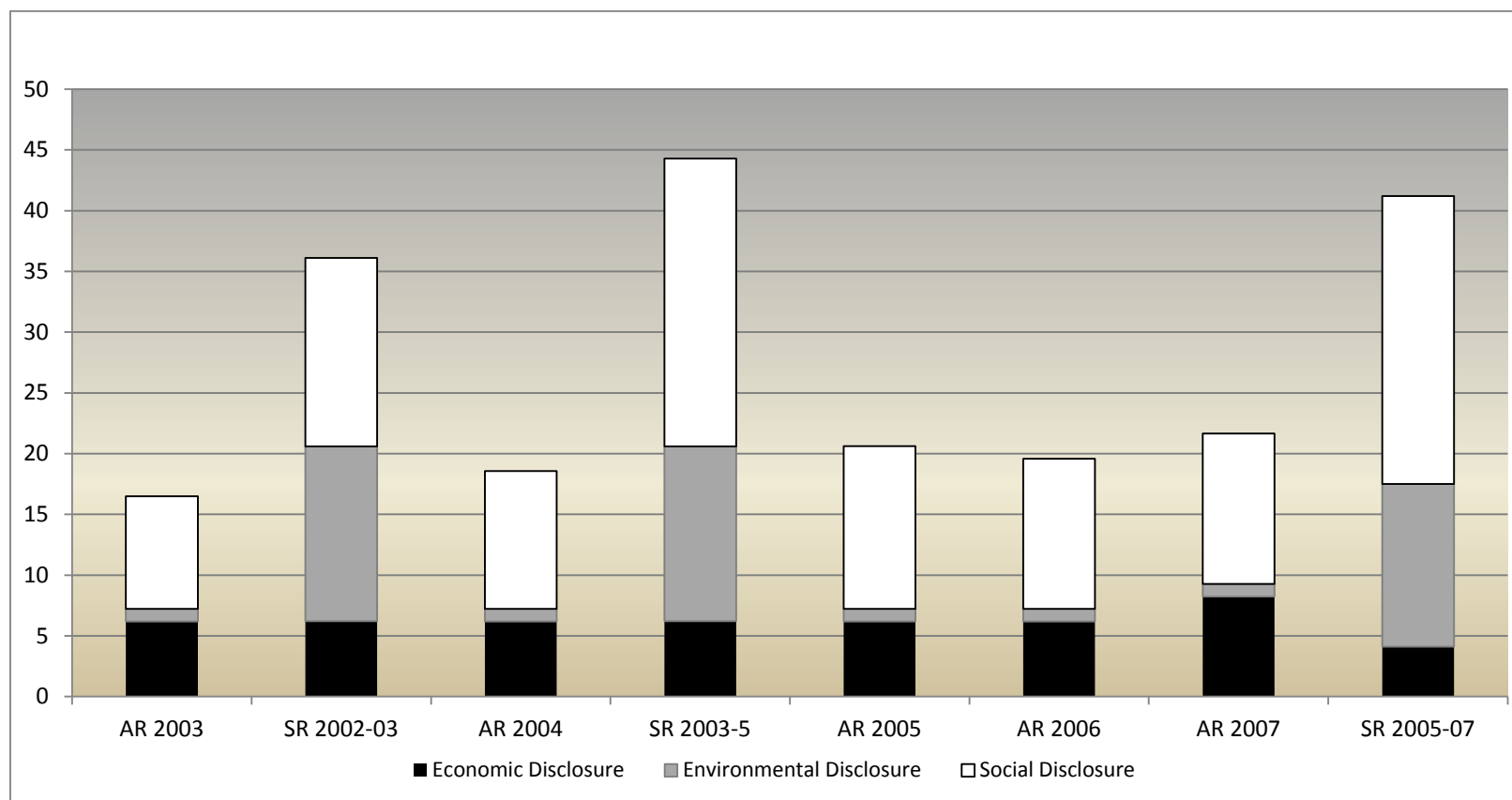


Figure 1: CSR disclosure levels in annual (AR) and social reports (SR) (2003-2007) (Note: Percentage disclosure scores are shown on Y axis and years on X axis)

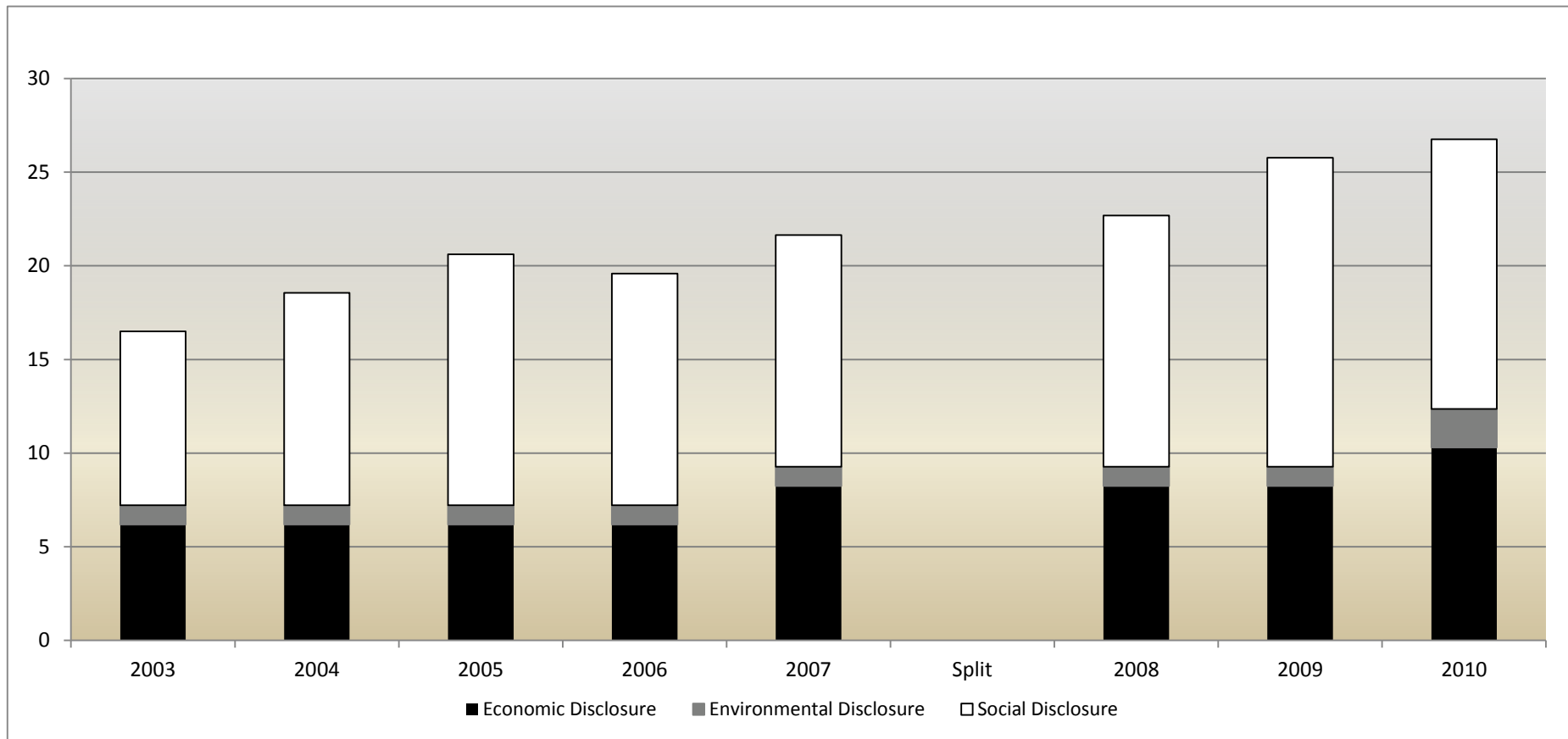


Figure 2: CSR disclosure levels in annual reports 2003-2010 (Note: Percentage disclosure scores are shown on Y axis and years on X axis)