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CORPORATE SOCIAL DISCLOSURE BY WESTPAC BANKING CORPORATION: A STUDY OF SOCIAL IMPACT REPORTS (2002 – 2004)

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ABSTRACT

While a number of studies of Corporate Social Disclosure (CSD) focus on the annual report as the principal means of communication, this paper presents an exploratory examination of the Social Impact Reports of a large, Australian company – Westpac Banking Corporation Ltd – for the period 2002-2004. It considers whether there is a relationship between media attention and disclosures made in Westpac's reports, in light of Legitimacy Theory. Westpac's reports were prepared in a formulaic manner, the disclosures were generally positive with little quantitative data, and covered the areas of environment, customer, employees and community. Westpac's disclosures appeared to be direct attempts to defend organisational legitimacy. Evidence of large amounts of disclosures made relating to issues of little public concern, indicated that most of the CSD made in Westpac's reports were aimed at (1) extending and maintaining a high level of legitimacy, rather than defending it; and (2) deflecting attention from issues of low legitimacy to those with high legitimacy.

Keywords: social impact reports; corporate social disclosure; Westpac; media attention; legitimacy theory.

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CORPORATE SOCIAL DISCLOSURE BY WESTPAC BANKING CORPORATION: A STUDY OF SOCIAL IMPACT REPORTS (2002 – 2004)

1. INTRODUCTION

While a number of studies of Corporate Social Disclosure (CSD) focus on the annual report as the principal means of communication, there have been calls for studies of other media. Such studies, particularly of stand-alone environmental reports, are beginning to emerge, and this paper contributes to those by presenting an exploratory examination of the social reports of a large, Australian company – Westpac Banking Corporation Ltd – over the period 2002 to 2004.

The paper seeks to determine, whether there is a relationship between the level of media attention Westpac received and the disclosures made in its Social Impact Reports, in light of Legitimacy Theory. Legitimacy theory has been used extensively in the literature on CSD, and has come under some criticism. This paper presents a description of social disclosures made over a 3 year period, and a description of specific media attention received in that period, to draw some conclusions about the level of legitimating behaviour in evidence.

The next section describes legitimacy theory and this is followed by a review of previous studies that have employed a legitimacy perspective. The methods section follows which outlines the use of a single organisational case study and content analysis. The results from the study are then presented along with discussion, conclusions and suggestions for further research.

2. THEORETICAL FRAMEWORK

Although a number of definitions of legitimacy exist (with varying levels of specificity) (Suchman, 1995), the most common, generally accepted definition of legitimacy is:

Legitimacy is a condition or a status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part (Dowling & Pfeffer, 1975 p. 122).

Legitimacy theory posits that organisations constantly seek to ensure that they operate within the bounds and norms of their respective societies to secure the inflow of needed resources (Brown & Deegan, 1998; Suchman, 1995). Individuals control the resources required for organisational survival. If legitimacy is a status, it follows then that it is a perception that is assessed at an individual level by those members of society; it is therefore, a reaction of observers and (more often than not) these observers are external to the organisation (Shocker & Sethi, 1974; Guthrie & Parker, 1990; Dowling & Pfeffer, 1975; Suchman, 1995). Authors argue that legitimacy theory presupposes a relationship of reciprocal understanding between these two parties (Lindblom, 1994; Campbell *et al.* 2003). It therefore affects the way that individuals in society understand organisations, and act towards them; that is, organisations that are seen as legitimate are seen as more worthy, more meaningful, more predictable and more trustworthy (Suchman, 1995). However, because of the external nature of the organisation's relevant publics, organisations must constantly communicate that they are good corporate citizens (Guthrie & Parker, 1990) and are therefore meeting the conditions of its social contract. In short it is within the organisation's best interest, under normal circumstances (see study by Elsbach & Sutton (1992) for counter arguments) to maintain the status of legitimacy.

Several circumstances may lead to organisations failing to maintain the status of legitimacy (Deegan, 2002). The first problem is that legitimacy is conferred upon organisations by society, and society's views change over time (Lindblom, 1994; Suchman, 1995). Another problem is that particular events may occur that may detrimentally impact the organisation, either directly (as information about elements of its operations become known) or indirectly (as harmful news about the industry in which the organisation belongs to become known) (Deegan, 2002). Whatever the case, to the extent that there is a disparity between the two value systems, there is a threat to the entity's legitimacy, giving rise to a legitimacy gap (Dowling & Pfeffer, 1975; Lindblom, 1994).

A number of likely consequences (in the form of economic, legal or social sanctions) may occur as a result of this disparity between the value systems of the organisation and those of society (Dowling & Pfeffer, 1975; Lindblom, 1994). Not only is organisational legitimacy seen as being necessary for organisational survival, but it has also been argued that legitimacy may be seen as a constraint on organisations (Dowling & Pfeffer, 1975). A corporation must therefore be sensitive to the demands and concerns of its relevant publics and contain the level of conflict that may, at an extreme, break down the consensus required to continue operating in its current environment (Lindblom, 1994). It has been argued that once legitimacy is threatened, organisations will embark on a process of corrective action targeted primarily at those groups who have the necessary stakeholder attributes to confer or withdraw legitimacy (O'Donovan, 2002; Deegan, 2002).

While *legitimacy* is a status or condition, *legitimation* is the process of achieving or correcting the status of legitimacy (Lindblom, 1994; Dowling & Pfeffer, 1975). Legitimation may take various forms and be motivated ultimately by how corporate management assess and perceive the severity of the incident (Deegan, 2002; O'Donovan, 2002). That is, the greater the likelihood of adverse shifts in a corporation's relevant publics' perceptions of how legitimate a corporation is, the greater the desirability on the part of the corporation to attempt to manage these shifts in social perceptions (O'Donovan, 2002). Nonetheless, a number of methods from which legitimacy can be repaired have been identified, most seem revolving around the four tactics that Lindblom describes (1994, pp. 13-16):

legitimation may involve bringing the organization's output, methods, and goals into conformity with popular views of what is appropriate.

the corporation may decide that no adjustment in organization output, methods, and goals is appropriate.

legitimation may proceed by identifying organizational output, methods, and goals with the popular perception of what is appropriate without any attempt at actual conformity.

legitimation efforts may result in a strategy wherein the organization attempts to bring popular views into conformity with organizational output, methods, and goals.

Lindblom (1994) also argues that the necessary or appropriate decision to undertake a legitimation strategy may be reactive or proactive in nature. A proactive legitimation strategy is aimed at preventing a legitimacy gap as opposed to attempting to narrow such a gap (Lindblom, 1994). Ashforth & Gibbs (1990) argue that the often intense and reactive defence strategies are sometimes difficult because, shortly after a crisis, the organisation's ability to defend its legitimacy may be constrained due to a loss of credibility from the crisis. By constantly maintaining legitimacy, an organisation maintains a good reputation and this acts like a sedative on constituents (Ashforth &

Gibbs, 1990). According to Ashforth & Gibbs one possible way to achieve this is via two steps (1990, pp. 182-183):

Extending Legitimacy. Attempts to extend legitimacy occur when the organization is becoming established or is entering a new domain of activity or utilizing new structures or processes; and

Maintaining Legitimacy. Attempts to maintain legitimacy occur when the organisation has attained a threshold of endorsement sufficient for ongoing activity.

Ashforth & Gibbs (1990 p. 182) argue that legitimation activities will likely be intense and proactive as management attempts to win the confidence and support of 'wary constituents' (relevant publics). It is likely that such relevant publics will scrutinise the organisation in cases, for example, where the organisation lacks clear outputs and goals; where the organisation lacks the support of traditions and norms (and so suffers the liability of newness); or where constituents anticipate a long relationship with the organisation (Ashforth & Gibbs, 1990).

Once legitimacy has been extended, periodic assurances such as institutional advertising, personnel movements, plant openings and other 'warm signals' are normally enough to satisfy the organisation's relevant publics (Ashforth & Gibbs, 1990). A proactive strategy may therefore be more effective than constantly defending legitimacy because once an organisation has been judged as being legitimate, constituents tend to relax their vigilance and content themselves with periodic assurances of 'business-as-usual' (Ashforth & Gibbs, 1990). The maintenance of legitimacy therefore attempts to anticipate and prevent or forestall potential challenges to legitimacy (Ashforth & Gibbs, 1990).

In order to impart the status of legitimacy, some form of communication is necessary. Lindblom (1994) and Milne & Patten (2002) state that one effective way for an organisation to communicate (and therefore legitimate its output and activities) to its relevant publics is through the production of corporate social disclosure.

3. CORPORATE SOCIAL DISCLOSURE (CSD)

An organisation must constantly communicate with its relevant publics and provide information to influence the perception that it is a good corporate citizen (Guthrie & Parker, 1990). Corporate disclosure policies can be an effective way to influence external perceptions about the organisation (Deegan, 2002). It is argued that CSD will be one of the mechanisms employed in the legitimation strategies of organisations, and, therefore, legitimacy theory may be one of the best tools to gain insight into the motivations for corporate management to provide such accounts (Lindblom, 1994). In light of this Neu *et al.* (1998, p. 266) argue that:

Accounting researchers have suggested that CSD disclosures help to resolve some of the problems of organizational legitimacy. These disclosures help to manage an organization's relationship with relevant publics through the shaping of external perceptions-by echoing, enlisting and harmonizing with other disclosures and thereby influencing the image that relevant publics have of the organization and its activities.

4. PRIOR STUDIES

4.1 The Importance of Legitimacy: Does it help to secure Resources?

To the extent that organisations do not maintain the status of legitimacy, they may lose the support of key stakeholders causing a restriction to the flow of resources required for organisational survival (Lindblom, 1994; Suchman, 1995). Several studies have examined how managing organisational legitimacy may affect the flow of financial resources to organisations. Epstein & Freedman (1994) present findings that show the types of information that are required by stakeholders such as investors, creditors, employers, customers, government and the community. They used the responses of 148 individual investors and present evidence that suggests that the individual investor is interested in social activities, with particularly strong demand for information regarding product safety and quality and information about environmental activities. The authors state that the attitudes of the shareholders seemed to reflect the attitudes of the larger society. Findings also showed that it was important for the company to maintain that it had not damaged the environment, that it offered quality products that were safe and that the company acted in a responsible way. The findings from the study support legitimacy theory in that those that do not maintain that they are acting in a socially responsible way may cause investors, whose views represent those of the broader society, to limit their supply of resources to them.

In a similar way Deegan & Rankin (1997) correlate the level of organisational legitimacy with the investment decisions of individuals. In developing the conceptual framework for their argument, the authors make two main assumptions: that organisational operation is influenced by the social values of the community in which they exist, and that legitimacy theory posits that organisations must appear to consider the rights of the public at large, not merely those of its individual investors; consequently, organisations with poor environmental performance may find it difficult to obtain the necessary resources to maintain operations. As Epstein & Freedman (1994) found, the views of the investor seem to mirror those of the broader society. To the extent that organisations were not seen to follow these norms, investors may not see fit to supply those organisations with financial resources. In building their argument, Deegan & Rankin (1997), also argue that the ability to shape perceptions through report disclosures is only possible if members of society actually use the reported information.

Deegan & Rankin (1997) found evidence to suggest that, apart from stockbrokers and analysts who downplayed the materiality of environmental information, all other classes of investors saw environmental information as being important towards the decisions they took – although financial indicators were seen as the primary information. The study makes valid conclusions that support legitimacy theory. First, although environmental information is not primary to the investment decision, it was found that respondents did find other information (CSD) to be material to their investment decision. Second, information provided by companies in the annual report is used by these classes of investors to assess organisational performance. By using environmental information to assess companies, it can be argued that investors are assessing the legitimacy of the organisation and this, in turn, affects their decision about whether or not to invest in, and therefore provide financial resources to, companies.

In a similar study, Milne & Patten (2002) used two fictitious experimental investment scenarios and a group of 76 investors from 12 US based companies to determine whether organisational legitimacy would affect investor decisions. Although legitimacy theory was only somewhat supported the authors found significant results to show that CSD did affect long-term investment decisions. Namely, over the long run, investors found that it was important for companies to appear to be legitimate.

4.2 Repairing and Maintaining Legitimacy: Management Perceptions

Where corporate management perceive a threat to legitimacy, it will attempt remedial strategies. However, before a reaction can be made, corporate management must first perceive a threat. A study by O'Donovan (2002) investigated corporate management's views on maintaining legitimacy versus repairing legitimacy and whether or not legitimacy theory could be used to explain the decision to disclose social information in the annual reports. Using a series of vignettes to examine, ex ante, the motivating reasons behind the decisions to make CSD, O'Donovan (2002) found strong evidence to suggest that corporate management would prefer to maintain a high level of legitimacy rather than try to repair it. He found they used CSD as a way to alter perceptions presenting their respective organisations in a positive light. Despite this, where organisational legitimacy has been threatened by an event that is considered to be of a high to medium threat, corporate management will likely attempt remedial strategies that will either alter perceptions or conform the organisation to what is seen as appropriate. O'Donovan's (2002) study shows that legitimacy is clearly important to corporate management in managing the level of conflict between organisations and their relevant publics. Although it is preferable to maintain a high level of legitimacy, corporate managers will, where they perceive a legitimacy threat to be of high enough significance, attempt remedial strategies in order to alter perceptions and conform to societal norms.

Buhr (1998) undertook a case study of a nickel mining and smelting company, Falconbridge using legitimacy theory to explain the annual report disclosures from 1964 to 1991, with particular attention to its sulphur dioxide emissions. The results show that Falconbridge's CSD revolved mainly around its push for technological development. The main reasons motivating CSD related to changing public perception of the term 'technology' and as a response to government regulation (informing relevant publics about changes to the company's processes). Where corporate management perceived a legitimacy threat to potentially occur (due to public perception or changing regulation) it would produce CSD to manage this level of conflict. Buhr (1998) concluded by stating that legitimacy theory offered a stronger explanation for Falconbridge's production of CSD than did PEA theories, and that CSD is used as a tool of legitimation in times where corporate management perceived either an actual or potential threat to organisational legitimacy.

4.3 CSD as a Reaction to Negative Events

Various studies have, with varying levels of success, examined the reaction of corporate management where legitimacy has been threatened. In relation to these studies, O'Donovan (2002 p. 350) states:

The majority of empirical research into managing legitimacy has been concerned with responses to issues or events that were widely publicised and brought the industry or corporation in question into the public spotlight. These studies have, in the main, been concerned with organisational responses consistent with the purpose of repairing or defending legitimacy.

There have been several studies that have found significant evidence to suggest that where incidents that have the ability to threaten organisational legitimacy have occurred, corporate management will attempt to close those gaps through the use of CSD. Deegan *et al.* (2000) examine how 41 Australian mining, oil transport, production and chemical companies responded to perceived threats to their legitimacy as a result of major global and local incidents (4 major oil spills). It was observed that around the time of these major oil spills, the companies in question changed their reporting practices and increased the amount of positive CSD in the annual reports. The authors concluded that major oil spills, and incidents of such a nature, have the potential to threaten the organisational legitimacy of the companies in question and similar related companies. More importantly, the authors made a key

finding that helped to support the theory that CSD may be used as a legitimation tool, that is, that the annual report disclosures of those organisations appeared to be of a nature that related specifically to the incident, rather than to social issues generally. They concluded that:

These results highlight the strategic nature of voluntary social disclosures and are consistent with a view that management considers that annual report social disclosures are a useful device to reduce the effects upon a corporation of events that are perceived to be unfavourable to a corporation's image (Deegan *et al.* 2000, p.101)

Another study that found significant results to support legitimacy theory is a study by Deegan & Rankin (1996), which examines the reporting practices of 20 Australian companies successfully prosecuted by the New South Wales and Victorian Environmental Protection Agencies. The authors evaluated and compared the annual reports of 20 companies, similar in size and industry, which had not been prosecuted. The results from the study show that firms that had been successfully prosecuted provided significantly more positive environmental disclosures in their annual reports compared with companies that had not been prosecuted. That is, by being prosecuted by the EPA, corporate management perceived a threat to organisational legitimacy and found the need to legitimise the existence of their organisations. In order to do this, it was found that organisations that had been successfully prosecuted by the EPA tended to report more positive or "good" environmental news compared with companies that did not. Using legitimacy theory to view these events, it would appear that a relationship exists between major incidents, that have been perceived by corporate management to be legitimacy threatening events, and the level of CSD, that is, increased major events will likely lead to the strategic production of CSD, where the nature of the CSD will likely be positive.

In contrast to those studies that support the view that major social and environmental events stimulate greater CSD, several studies have either found no significant correlation between elements of social performance and CSD. Guthrie & Parker (1989) conducted a historical analysis of BHP over a one hundred year period. The study relies on the observation of peaks of CSD frequency, which are compared against relevant social, economic and political events in BHP history. Evidence found a variable pattern of total social disclosure levels over the period and the results failed to confirm legitimacy theory as the primary explanation for CSD (Guthrie & Parker, 1989). However, the authors did state that a major limitation of their study was:

This method [matching the peaks of CSD with social, political and economic events] imposes a relatively stringent test of coincidence that may not account for any unidentified time lags between events and their eventual disclosure in BHP's corporate reports (Guthrie & Parker, 1989 p. 351).

Another study that failed to find significant results was the study conducted by Campbell *et al.* (2003). The study measured the reporting practices of 5 companies from 3 FTSE sectors between 1975 and 1997. The authors expected to find that companies that were seen as more "sinful" (maintaining low levels of organisational legitimacy) disclosing more social information than companies that were not seen as sinful. The results showed a variable pattern of CSD that varied over companies and sectors (Campbell *et al.* 2003). However, the authors admit to a number of limitations that may have led to the variable pattern in results.

4.4 CSD as a Reaction to Media Attention

Several studies have sought to correlate CSD with community concern for particular issues. Two such studies are those by Brown & Deegan (1998) and Deegan *et al.* (2002). Both studies introduce media

agenda setting theory¹ as an explanation for community concern for particular issues. Brown & Deegan (1998, p. 25) argue:

In terms of causality, increased media attention is believed to lead to increased community concern for a particular issue. The media are not seen as mirroring public priorities; rather they are seen as shaping them.

Brown & Deegan (1998) correlate the amount of negative print media on certain environmental issues and the level of environmental disclosures in the annual reports, measured by the number of sentences, from companies across nine industries. The authors found that the media is both a proxy for community concern and is seen to influence the perception of the community. Therefore, increases in media attention relating to certain issues will likely stimulate CSD in relation to those issues (Brown & Deegan, 1998 p. 21):

The results indicate that for the majority of the industries studied, higher levels of media attention (as determined by a review of a number of print media newspapers and journals) are significantly associated with higher levels of annual report disclosures.

The results of the study confirm a legitimation motive from organisations. That is, where negative media attention is experienced this may either reflect or influence community concern for particular issues. This may, in turn, cause a threat to organisational legitimacy and stimulate a response from corporate management. Responses will likely be in the form of corporate disclosures.

Confirming results from Brown & Deegan (1998), Deegan *et al.* (2002) examine the reporting practices of BHP between the years 1983 to 1997. They found a significant correlation between the level of print media articles and the level of positive CSD in the annual report in contrast to Guthrie and Parker (1989). The more recent study addresses some of the weaknesses identified by Guthrie and Parker, and this most likely accounts for the different results. The authors found that in times of increased negative media attention, BHP tended to increase the number of favourable disclosures in its annual reports. Like the Brown & Deegan (1998) study, Deegan *et al.*'s (2002) results support a legitimation motive by corporate management and supports the notion that where legitimacy is threatened, in this case by the potential of the media influencing this perception, corporate management will react by using CSD in an attempt to narrow such a legitimacy gap.

4.5 Extension and Maintenance of Legitimacy: Impression Management and Effectiveness of Managerial Response

Epstein & Freedman (1994) identified that investors do use environmental information and Deegan & Rankin (1997) found that investors use such information to assess organisational performance. However, rarely have studies measured the effectiveness of corporate accounts where they have been used to defend organisational legitimacy. Elsbach (1994) studies verbal corporate accounts and uses impression management to inform her study, and while not necessarily CSD related, the findings are applicable to CSD and can be viewed from a legitimacy theory perspective. Among the significant findings, Elsbach (1994) discovers that 'acknowledgement'² type accounts are more effective than

¹ Media agenda setting theory posits a relationship between the relative emphasis given by the media to various topics and the degree of salience these topics have for the general public (Brown & Deegan, 1998 p. 25)

² In contrast to denials, acknowledgements were forms of accounts that argued "we recognise a negative event occurred, but..." "it wasn't our fault," or "we had a good reason for our actions," or "the ultimate outcome was positive" Elsbach (1994 p. 65)

‘denial’³ type accounts. Respondents from the study identified those organisations acknowledging that a legitimacy-threatening incident did occur were more convincing, and hence more successful at defending organisational legitimacy, than did organisations that denied the incident by stating that ‘we weren’t involved’ or ‘it didn’t happen’. Elsbach (1994) argues that acknowledgements are more effective than are denials because denials show lack of managerial control. Managers are expected to be in control and promoting images of managerial control may be more important to legitimacy than denying poor performance (Elsbach, 1994).

Elsbach states that organisational accounts tended to make certain references when defending their legitimacy. She identifies the two as ‘institutional characteristics’ and ‘technical characteristics’. Elsbach (1994, p. 65) states:

Institutional characteristics were a type of account content that consisted of normative and socially endorsed organizational practices. These characteristics signalled organizational legitimacy traits defined by organizational theorists as institutional structures (legitimate hierarchies and roles), institutional procedures (legitimate goals or outcomes), and structural decoupling (separating legitimate and illegitimate structures).

By making references to widely institutionalised structures and processes, organisations signal that they are normative which is a characteristic used to assess organisational legitimacy. On the other hand, technical characteristics are defined as references relating to an organisation’s efficiency and effectiveness (Elsbach, 1994). Technical characteristics appear to be made where spokesmen want to make an argument that is correct on the merit of being technically true, that is, such organisations claim that the benefit of their achievements were far greater than were the costs.

5. METHOD

This is an exploratory study in which different sources of information are used to investigate a single organisation’s (Westpac) social disclosure patterns over a period of time. The study will take the form of a single, explanatory, organisational case study. According to Yin (1984, p. 23), a case study is an empirical inquiry that:

investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and which multiple sources of evidence are used.

Westpac is a company that was incorporated in Australia and began trading in 1817 as the Bank of New South Wales. It maintains branches and offices throughout the Pacific region. Westpac is considered to be a large Australian company employing approximately 26,890 full time equivalents (as at 31 March 2005) and has global assets worth \$254AUD billion ranking it within the top 10 Australian companies on the Australian Stock Exchange (ASX). In Australia and globally, approximately 233,000 people and institutions are shareholders. As of 2003 Westpac finalised its ownership of two wealth management businesses, BT Financial Group (BTFG) and Rothschild Australian Asset Management (RAAM). Westpac is one of the few Australian companies to produce a standalone social report and have so far produced four ‘Social Impact Reports’ with the first in 2002.

³ Denials were forms of accounts that proposed, “we weren’t involved,” or “it didn’t happen” (Elsbach, 1994 p. 64)

The study uses two main sources of data, organisational documentation produced by the organisation in question (i.e. Westpac's Social Impact Reports) and articles appearing in the mass media.

5.1 Westpac's Social Impact Reports

It is often recognised that company annual reports are major public documents which have the power to manage and persuade the reactions of a diverse range of stakeholders (O'Donovan, 2002; Tilt, 1994). It has also been reported that much of the work done on CSD has used annual reports as the main source of communication from organisations (Tilt, 1994). As little work has been done on stand-alone CSD, this study helps to address this gap.

This study uses all four Social Impact Reports produced by Westpac Banking Corporation from 2002 to 2004). It should be noted that in 2004, two social impact reports were produced, one at the beginning of the year and one at the end of the year. The latter report was called a Stakeholder Impact Report, rather than a Social Impact Report, however the contents of the report are fundamentally the same as in previous years. Henceforth, the two 2004 reports will be named 2004a and 2004b respectively.

The 2002 report was 1125 sentences long, 2003 was 1365, 2004a was 1171 and 2004b was 1319 sentences long. Verification statements (similar to an audit report – statements verifying the content of the report in some way) were approximately 85, 95, 87 and 105 sentences respectively, and these were removed for initial analysis and will be discussed separately. The Glossary, which appeared to be standard for all years, contained general statements about the meaning of banking terms and acronyms, and the 'your opinion' sections of the reports were not analysed.

5.2 Media Attention

In order to measure 'media attention' articles were chosen from two prominent Australian newspapers: *The Australian Financial Review (AFR)* and *The Australian*. Studies by Brown & Deegan (1998) and Deegan *et al.* (2002) also used these media sources (in conjunction with others), and justify their use of newspapers stating that they have a greater ability of influencing or determining the way most people think about the world, what they consider normal and proper, and what they consider to be important public issues.

5.3 Content Analysis

In order to gather the data for analysis, content analysis was used to measure both the type and amount of Westpac's Social Impact Reports and media articles. Content analysis has been used widely in CSD research (Gray *et al.* 1995b) and is described as:

A technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity (Abbot & Monsen, 1979 p. 504).

5.3.1 Unit of Analysis

Several units of analysis have been used in studies of CSD. Abbot & Monsen (1979) argue that the simplest form of content analysis consists of nothing more than the attribution of the incidence of an event as indicated by the mention of the event under question. Other researchers have used pages and others paragraphs (Abbot & Monsen, 1979). In this study the sentence is the unit of analysis used to measure the incidence of CSD. Gray *et al.* (1995b) argue that using sentences is the preferred method of seeking to infer meaning. To measure media attention single articles are the unit of analysis as a measure of issues (Brown & Deegan, 1998).

5.3.2 Categories and Coding

5.3.2.1 Westpac's Social Impact Reports

The key categories used by Gray *et al.* (199b) are used in this study but some were excluded as they are not relevant in an Australian context (e.g. pension data and value added statements). Any sentences that were considered to be disclosures but did not fall into any of the determined categories were added to the 'general other' category. After several attempts of coding these reports, several additional disclosure categories were added. The final categories used are presented in Table 1.

Table 1: Categories used in the study

Original Categories Coded	Added Categories
Environment	Supply Chain
Consumers	Multiple Disclosures
Community	Financial Inclusion
Charity	Indigenous Issues
Employee Data	Rural Banking
Consultation With Employees	Wealth Management
Equal Opportunity Employment	Suppliers
Health and Safety	New Zealand / Pacific Banking
Share Ownership	Regulatory
Employee Other	Corporate Governance
	Case Study
	Audit

A number of sentences in the reports were of a social or environmental nature, but did not disclose any information relating to Westpac's involvement with its social or environmental context. Any such general sentences were included as non-disclosures, as these did not fall into the definition of social or environmental interaction, see Hackston & Milne (1996). Any captions, titles or references as to where other information could be obtained were also treated as non-disclosures. In addition, in the 2003 report, Westpac introduced key quotes from various members of the community which were removed from the quantitative analysis of the reports, for ease of comparison, but were considered separately in the qualitative analysis.

5.3.2.2 Media Attention

Searches were conducted using Factiva that contains archived newspaper articles from global sources. Although the case study covers the period 2002-2004, the period of time considered for collection of media articles included a year preceding the first Social Impact Report as this allows for enough time for the media to influence public perception (Elsbach, 1994).

Media articles written about other banks, they were disregarded (e.g. if Westpac was only implicated), however, certain articles about other banks contained substantial amounts of information about the Westpac Bank and were therefore considered. Articles were given a score of '1' if the article contained negative information, '0' if it was either positive or neutral. Although positive and neutral articles were also read, these articles are not included as part of the discussion as this study is concerned primarily with negative media attention.

6. RESULTS

6.1 CSD in Westpac's Social Impact Reports

As seen in figure 1, there is an increasing trend in CSD by Westpac over the period. Each report is constructed in a formulaic approach: Each report generally contains a contents page and a foreword from the chairman and the CEO. The 2003 report included a performance indicator guide providing an overview of areas of banking performance. In 2004a Westpac provide a table indicating the relevant "Reporting Framework Reference" and match these with the relevant sections of the report (e.g. Global Reporting Initiative, SPI-Finance 2002, EPI-Finance 2000, Australian Stakeholder Indicator or Global Compact). Generally, the disclosures made are positive in nature.

In 2003 there is a particular increase in volume over most categories of disclosure. Qualitative disclosures increase over the four years from 329 sentences to 758 sentences representing an increase of 130% in the total amount of qualitative disclosures. The 2003 report was by far the largest report in terms of total sentences disclosed. It is clear, from figure 1, that as non-disclosures and quantitative disclosures decrease, there is a sizeable increase in the level of qualitative disclosures. Titles and captions, quantitative disclosures and multiple disclosures remain relatively stable over the time period.

6.1.1 Verification Statements

The verification statement of each report is relatively standard for each year. Although the layout and content of each verification statement remains the same, there are subtle variations in the 2004a and 2004b reports. The phrase 'verification statement' is changed to 'assurance statement'. In addition, the individual components of the statement (social assurance statement, environmental assurance statement and financial audit report) are separated. Although reports of such a nature are largely unregulated, references to the Global Reporting Initiative (GRI) and SPI⁴ give the impression that these reports have been prepared with the same amount of care and conformity to professional standard as any other financial report.

6.1.2 Tables, Graphs and Images

While the 2002 and 2003 reports have tables and graphs throughout the reports, the 2004a and 2004b reports have a section titled "Factpac". This section of the report essentially contains a data summary. Generally, the pictures and images in the reports support the surrounding text. In both the 2002 and 2003 reports, the images contained were predominantly photographic portraits of prominent Australians. Each portrait is given a central location, is large in size (covering two pages) and relates to the relevant portion of Westpac's activities. These images are smaller but reused in 2003, and do not appear in the 2004a or 2004b reports.

⁴ Social Performance Indicators (Westpac SIR, 2002 p. 38)

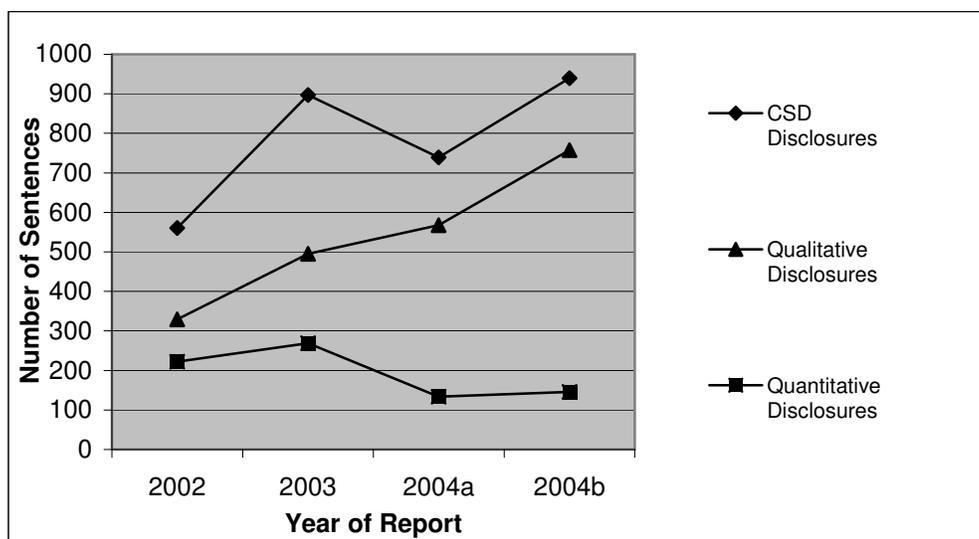


Figure 1: Categories and Amount of CSD

6.1.3 Environmental Disclosures

There is an increasing trend in environmental disclosures, which represent, on average, approximately 12% of the total disclosures over the four years. The environmental sections of the 2002 and 2003 reports cover a wide range of issues in relation to Westpac’s environmental performance ranging from general comments on sustainability, through to very specific information relating to data concerning its greenhouse gas emissions and paper usage. Other general issues covered are Westpac’s environmental policies, environmental governance (including the various committees) and their involvement in global environmental initiatives. In terms of its integration of its business practices and its stance on environmental sustainability, Westpac discloses information relating to its lending: “lending practices with high environmental benefit”, “assets under green management”, and also discusses that it will not lend to companies that engage in activities that may potentially harm the environment. Surprisingly for a bank which does not involve operations that physically affect the environment, Westpac provide considerable descriptive and statistical information in relation to its environmental performance (greenhouse gas emissions, paper usage and water usage).

6.1.4 Customer-related Disclosures

Customer related disclosures remained relatively stable over the four years and represent approximately 26% of the total number of disclosures for each report, making customer CSD the largest disclosure category. Information contained in this part of the report includes both general information, such as Westpac’s service mission and promises, and statistical information such as Westpac’s performance in relation to the targets it set, information related to access for the disabled, resolving and reducing customer complaints, regional banking, transparency of fees and charges and a special section on lending with high social benefit (disclosures relating to improved lending with high social benefit and similar items were included in community disclosures as these generally related to how Westpac was helping underprivileged segments of society).

In the 2003 report Westpac included a section titled ‘Managing sensitive issues’. Three sentences under this heading relate to Westpac’s promotional campaign for its “Rocket Home Loan” in which Westpac disclose the following (2003 SIR p. 13):

Following our initial promotional campaign for our Rocket Home Loan, the Australian Securities and Investments Commission (ASIC) raised concerns that certain representations used in the advertising of the loan could have been misleading.

We cooperated fully with ASIC and agreed to suspend and amend the specific promotion and other materials.

We also wrote to all consumers who had taken out or applied for loans as a result of the advertisement to explain the representations made.

Other disclosures related to two-tier property markets (2003 SIR, p. 13):

Following concerns relating to the reported existence of a two-tier market in the pricing of some home and investment properties in south east Queensland, we have chosen to notify borrowers if our property valuation varies from the disclosed purchase price by plus or minus 10%. Our policy is that facilitating or participating in any two-tier market pricing is strictly prohibited.

The disclosure made appears to be a denial. That is, Westpac deny ever having engaged in such practices and state that nothing of the sort occurred.

Wealth management increased from zero disclosures to fourteen in 2004b, the amount almost doubling from 2004a to 2004b, explained by Westpac's acquisition of two wealth management businesses: BT Financial Group and Rothschild Australia Asset Management. This issue received substantial media attention, which will be discussed in the next section.

6.1.5 Employee Disclosures

The total number of employee disclosures remains relatively constant each year, typically representing 17.3% of the total disclosures. The main areas covered are general policies, information on the number and profile of workers, training, learning and development, performance evaluation, employee commitment, executive remuneration fostering sustainable development, employee turnover, occupational health and safety, and employee's lives outside the workplace, with a large emphasis being placed on families demonstrated by a full double page section in the first report and the generous policies Westpac have relating to maternity, paternity and adoption leave.

In 2003 Westpac introduced a number of employee related targets, such as a commitment to hiring 900 mature aged workers, a commitment to undertake a voluntary diversity census, to establish new learning initiatives, to reduce employee turnover, and to better align the age, gender, and diversity of the workforce to the broader Australian community. Also in 2003, Westpac introduced new disclosures that were not present in its 2002 report, such as mature aged workers, working mums, employees with disabilities, indigenous Australians and promoting diversity. It does not appear, however, that there were any changes in Westpac's performance in relation to these issues in that year, only that it set itself additional targets.

The 2004a and 2004b reports addressed similar issues, but in more detail. New additions were the introduction of the 'balanced scorecard', remuneration fostering sustainability, a section on Westpac's Employee Enterprise Development Agreement⁵ and noticeable increases in occupational health and

⁵ Enterprise Development Agreement (EDA) involved consultation between Westpac, Westpac Employees and the Financial Sector Union

safety (OH&S) disclosures. They paid particular attention to a decrease in the 'Lost Time Injury Frequency Rate' and increases in employee satisfaction of Westpac's management of OH&S issues. OH&S disclosures increased from 5 sentences in the 2002 report to 23 in the 2004b report.

Noticeable decreases were evident in areas of equal opportunity employment and employee data generally. Disclosures relating to mature aged workers, indigenous Australians, employees with disabilities, and 'working mums' were not present in the later reports. Instead, it appears that these categories had been grouped together in a section called 'diversity'. Also, Westpac appeared to make more general comments about its workforce rather than providing specific data. This also helps to explain the increase in 'employee other' disclosures. There were a number of 'progress reports' on how Westpac went in relation to achieving the targets it had set previously. These were mainly descriptive and contained little data.

6.1.6 Community Disclosures

Community disclosures increased substantially over the period. In 2002, community disclosures accounted for 17.9% (100 sentences) of the total CSD. By 2004b, community disclosures represented 20.1% (189 sentences). In the first year, Westpac made very general comments relating to community involvement. Those disclosures related to building social capital, staff volunteering and fund raising, social performance screening of suppliers, and one indigenous issue relating to Westpac's involvement in Cape York. In later years, the increase in disclosures can be attributed to an elaboration of what Westpac was already doing and what Westpac was planning to do. Over the period, it was noticeable that Westpac increased its participation in community projects such as co-chairing a reconciliation workshop, Cape York programs, Indigenous Enterprise partnerships and assistance programs, assisting women in business and creating various community partnerships (involving such organisations as the Salvation Army, Mission Australia and The Smith Family).

6.1.7 Others Disclosures of Significance

Westpac's Social Impact Reports contained certain recurring themes. Over the period such disclosures as audit, corporate governance and regulatory disclosures remained relatively stable. The disclosures generally described that Westpac's reports were audited and that these statements conform to the appropriate standards. In relation to CSD which is not regulated, Westpac referred to appropriate initiatives such as the global reporting initiative (GRI) or standards used (e.g. ISO14001 the International Standard for Environmental Management). Corporate governance disclosures mainly covered internal controls. Several diagrams of governance structures and information relating to Westpac's accountability structure are included in every report.

Regulatory disclosures generally related to the different external governing bodies that regulate Westpac's behaviour (for example ASIC and ASX etc.). Corporate governance, audit and regulatory disclosures are generally made at the beginning of each report before CSD relating to other issues begins.

The 2003 report contains a unique category. Westpac allocated 123 sentences to the 'case study' component of its 2003 report representing approximately 8% percent of the report, and 55.9% percent of the total 'other disclosures of significance' category. Mainly, the increase in 'case study' type disclosures can be attributed to the inclusion of comments from stakeholder groups (e.g. customers, employees and an environmentalist) and even poems written by members of the community. Generally, any comments made are positive in nature, praising Westpac for its progressive strategies. Where the comments are not made about Westpac specifically, they relate to a particular stakeholder

group’s expectations or their concerns; subsequent disclosures then cover how Westpac was addressing those issues.

6.2 Media Attention Received by Westpac

Having discussed the type and amount of the disclosures in Westpac’s Social Impact Reports, this section examines the negative media attention Westpac received over the period. A comparison of the media attention and the CSD measured will then be made.

Figure 2 represents a summary of the amount of negative media attention Westpac received in both the *Australian Financial Review* and *The Australian*.

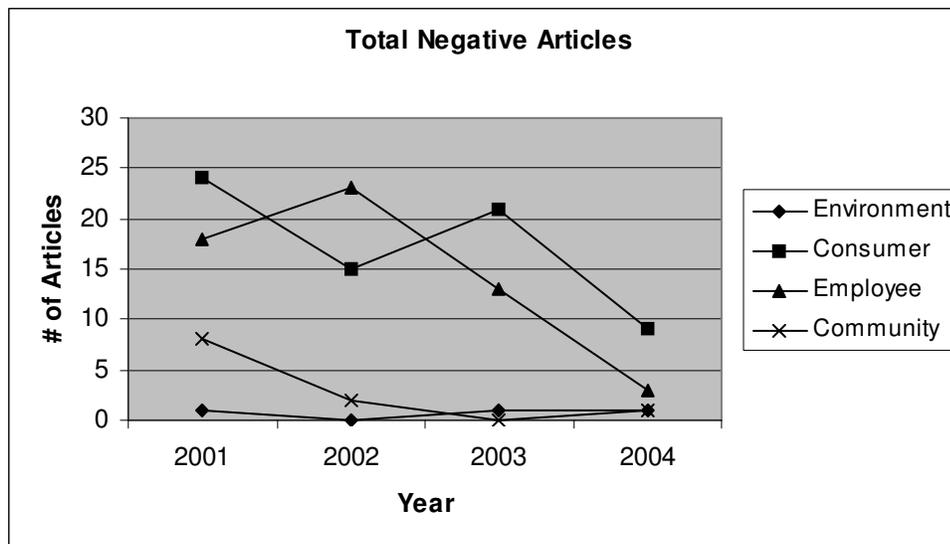


Figure 2
Total Amount of Negative Media Attention

6.2.1 Environment

Negative media attention in relation to Westpac’s environmental performance was negligible. There were a total of three negative articles. The first articles (2003) related to Westpac taking too long to deliver on its promises of a new environmentally friendly office building, the second relating to branch closures, and the final (2004) reported rumours that Westpac was considering lending \$200 million to the mining company ERA to develop a milling plant for the Jabiluka mining site. Generally, Westpac received positive media attention relating to its excellent environmental reporting practices.

6.2.2 Customers

Apart from 2002, negative media attention relating to customer issues occurred most often, accounting for approximately half of the total amount of media attention given to Westpac. In 2001, it was approximately 38%, in 2003 60% and in 2004 65% of the total negative media attention received.

Many of the articles that referred to Westpac, were about other banks. As such it was possible to develop a sense of media attention on banks generally and it appeared that Australian banks suffered negative community perception owing to poor service while earning increasing profits. Articles such as “Image of Banks Key to Ban on Mergers” (*AFR*, 2001) report Westpac executives conceding to poor community perception relating to banks.

In relation to Westpac specifically, a number of issues received attention. The first was ANSETT airline's collapse which caused Westpac to change its rewards program and transfer frequent flyer points to QANTAS airlines. This action led to subsequent legal action against Westpac. The second issue was the overcharging of fees and the increasing fee structures. Thirdly, poor service with problems such as internet banking failures caused by poor implementation and its susceptibility to internet viruses appeared. Finally, issues such as increased internet fraud and scams (leading to a \$19 million non-lending loss in relation to credit cards and cheque fraud in 2002), declining service levels of Westpac owned businesses after their acquisition by Westpac, delays in credit card approvals, and general anecdotes about actual incidents of poor or inefficient service (in fact it was reported that Australia's treasurer Peter Costello closed his Westpac accounts claiming the cause to be poor service) were also reported.

Westpac's acquisition of Rothschild Australia Asset Management and BT Financial Group generated a great deal of attention from the *AFR* due to the large number of investors being affected by the acquisitions. It was discovered that after an ASIC investigation, Westpac was forced to apologise to one thousand customers who were misled by Westpac's marketing of a home loan product (the 'Rocket Equity Loan'). In 2003, Westpac was involved with other banks over an alleged property scam. Also in 2003, after another ASIC investigation, Westpac was reported, along with other banks, to give consistently poor financial advice on products.

In 2003 and 2004, most of the media attention relating to customers seemed to focus on Westpac's internet banking failures. Westpac was subject to scams, email hoaxes, viruses and subsequently shut its internet banking down for several days. Media sources also reported increases in Westpac's online trading fees.

6.2.3 Employees

Employee related issues received the greatest amount of media attention after customer related issues. In 2002 and 2003 the media attention focused on Westpac's dismissal of 10% of its staff. This incident seemed to be the catalyst for increased financial sector union activity and increased strike activity shortly afterwards. Other attention, both negative and positive, in 2001, related to the lack of women in management positions and, in 2002, the focus was on the hiring of mature aged workers and increasing community concern relating to the ageing workforce ("The Older Worker Comes in From the Cold" *AFR*, 2002). Generally, the media reported that other Australian companies were increasing their commitment to hiring these workers.

Other issues that received considerable media attention related to Westpac's outsourcing activities and to Westpac's executive remuneration strategy. Westpac's outsourcing activities led to the transfer of twelve hundred of its staff to EDS (Electronic Data Services). Despite the fact that these staff changed companies, they were constantly referred to as 'ex-Westpac staff'. It was reported that the same group of staff felt 'betrayed' by Westpac and their current employer. Those staff members were led to believe that their work conditions would remain stable. The staff initiated industrial action, but encountered problems as they were no longer represented by the Financial Sector Union. The other issue that received attention relates to Australian executive remuneration and benefits packages. Westpac's CEO David Morgan was identified in several articles as one Australian CEO that received very generous remuneration. Morgan's salary package was reported to be \$1.7 million and up to \$20 million extra in benefits if he exceeded his performance targets. Interestingly, in following years, the *AFR* interviewed David Morgan and credited Morgan as a progressive and forward thinking CEO.

6.2.4 Community

Like environmental issues, there were very few articles that reported negative information about Westpac’s community involvement. The main articles found generally related to the poor image suffered by banks in general. One article pointed out the John Laws ‘cash for comment’ issue and Westpac’s acquisition of the Bank of Melbourne which led to community resentment.

7. DISCUSSION

Figure 3 shows the level of CSD each year and levels of negative media attention received in the preceding year, indicating little correlation. Overall, CSD steadily increased each year but there was some variability in each category, thus, the predictive ability of legitimacy theory does provide some useful insights and discussion of this is now follows.

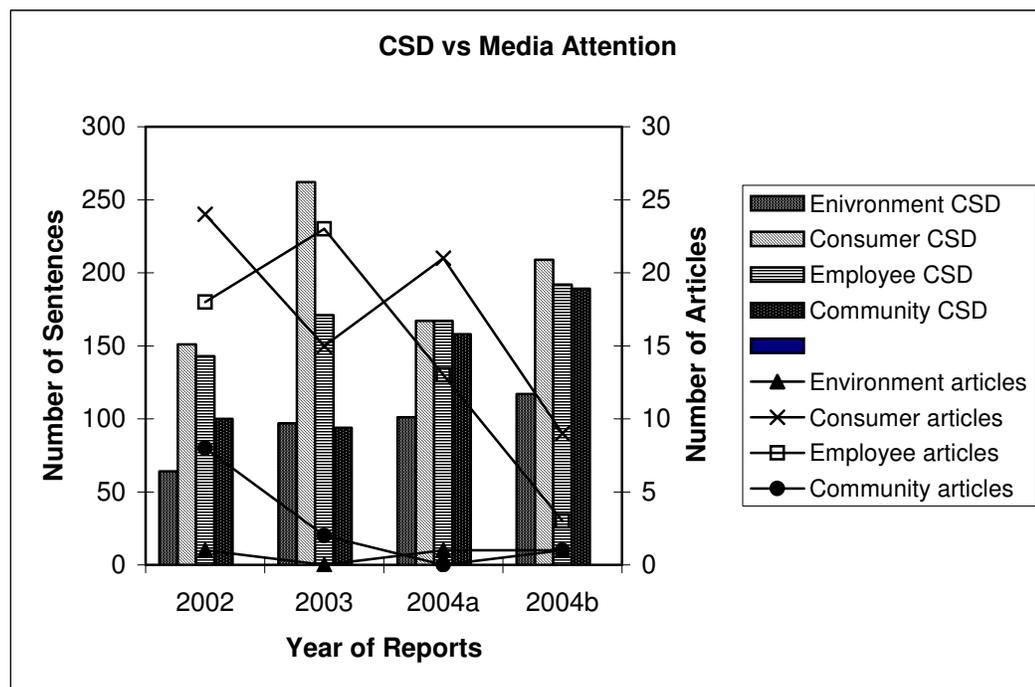


Figure 3
Levels of CSD by Category Versus Levels of Media Attention by Category

7.1 Environment and Community

The number of environmental disclosures represents approximately 12% of the reports, and yet only 2% of the total media attention that Westpac received. Similarly, approximately 17% of the reports were devoted to community type disclosures while only 8% of media attention was focused on Westpac’s community involvement. Both O’Donovan (2002) and Lindblom (1994) provide possible explanations for the large and increasing amounts of information relating to both the environment and the community. Corporate management from Westpac may have the same the preferences as the managers from the organisations that O’Donovan (2002) examined. That is, that the preference for corporate management to maintain a high level of legitimacy, as opposed to repairing low legitimacy, manifests in the large amount of both environmental and community disclosures in Westpac’s reports. By providing a great deal of environmental and social information, which has been proven to be used by stakeholders Westpac is building a large level of legitimacy in order that when legitimacy threats do occur, their effects are reduced. Information relating to the numerous awards and accolades (RepuTex

AAA rating) and the large number of social engagements signal that Westpac is a highly legitimate organisation.

Lindblom (1994) argues that where legitimacy threats occur organisations may highlight methods and goals that conform to views of what is acceptable. It may therefore be interpreted that Westpac is using increasing levels of environmental and social information to signal legitimacy by placing emphasis on its exceptional environmental and social behaviours. Lindblom's (1994) argument that organisations may associate themselves with symbols of high legitimacy may be used to explain Westpac's presentation of portraits of prominent members of society. By referring to images that show environmental and community participation, it appears that Westpac is suggesting it is a moral, legitimate and helpful part of society. To the extent that legitimacy threats do occur, Westpac is able to deflect attention away from incidents of concern and focus attention on areas of its operations that are seen as positive and desirable.

7.2 Customers

In the 2003 report under the section titled "managing sensitive issues", Westpac made several disclosures that appear to be direct attempts to defend organisational legitimacy. ASIC's investigation in relation to Westpac's potentially misleading advertising campaign (relating to its "Rocket Equity Loan") and the subsequent media attention may be viewed as a threat to Westpac's legitimacy. Predictions made from legitimacy theory were supported here. That is, where a potential legitimacy threat occurs (in this case Westpac's potentially misleading advertising campaign resulting in ASIC involvement) and where media attention has caused this incident to be known, the organisation will likely defend its legitimacy by making internal changes, that is, the withdrawal of advertising materials and an apology to those affected by the incident. This then resulted in CSD to inform its relevant publics which explains, in part, some of the upward trends in CSD in 2003.

Under the same section of the 2003 report Westpac also made a denial in relation to another issue. It claimed that it had not been involved in two-tier property markets. Discussion of whether or not the denial was effective is beyond the scope of this study, but from a legitimation perspective, the disclosures appear to be significant. Elsbach (1994) notes that denials were not as effective as acknowledgements but did find significant evidence to suggest that such corporate accounts are used by organisations in attempts to narrow legitimacy gaps caused by threats to organisational legitimacy.

Lindblom's (1994) first legitimation strategy may be used to explain Westpac's disclosures and behaviour relating to its 'Ask Once' initiative. In terms of direct legitimacy threats, Westpac received a large amount (more focus than compared to any other aspect of its operations) of ongoing media attention relating to its poor and inefficient customer service. Using Brown & Deegan's (1998) theory that the media has the ability to influence public concern, it can be reasoned that this level of attention may have caused a threat to Westpac's legitimacy. Although peaks of customer related CSD couldn't be matched with peaks of media attention it may be said that community concern for the issue still influenced corporate management's decision to respond to the threat. The introduction of Westpac's 'Ask Once' campaign may be viewed as a significant internal change used to respond to public concerns about customer service. It appears that this campaign was only a symbolic assurance to Westpac customers, and did not materially change the way Westpac was already treating its customers. The initiative may be seen as an attempt to narrow the gap caused by a potential legitimacy threat by both changing perceptions about the way it operates, and by changing its goals and methods to meet customer expectations. CSD was used to inform relevant publics of the changes Westpac had made. Owing to the sequence of events, it may be argued that a perceived threat, relating to customer service,

motivated a change to internal processes and this resulted in the production of CSD in order to inform relevant publics of the internal changes.

Similarly, predictions made by legitimacy theory can explain other customer related disclosures. By the increases relating to wealth management disclosures, it appears that Westpac were responding to another perceived legitimacy gap. From the high level of media attention it received, it seems that Westpac's purchase of BT Financial Group and Rothschild Australia Asset Management, generated concern. Ashforth & Gibbs (1990) explain that where an organisation enters a new domain of activity that may lack the support of tradition and norms it will likely incur a 'liability of newness' and this may serve as a potential legitimacy threat. In order to remedy this liability of newness, it is predicted that corporate management will prefer symbolic assurances as this puts less strain on resources. This did occur as Westpac made disclosures such as (2004b SIR, p. 32):

The new BT is a successful integration of three businesses – BT Financial Group, Rothschild Australia Asset Management and Westpac Financial Services – into one organisation.

The report also used symbolism (the image of '3 into 1' used under wealth management disclosures) to suggest that Westpac had successfully integrated these businesses. Media articles however, reported the various difficulties Westpac had integrating the new businesses, the loss of employee morale and the notable decline in customer service shortly after integration. From this media attention, it is arguable how well Westpac was able to integrate the new businesses. Thus, it may be said that the disclosures were only symbolic references relating to the integration. Lindblom's (1994) second legitimation technique may also be used to explain the series of events and the resultant disclosures. Lindblom (1994) states that in some cases where businesses perceive a threat to legitimacy such as in this case through the liability of newness, changes to business performance or in societal expectations may not be necessary. Instead, the organisation may attempt, through symbolic assurance, in this case by issuing optimistic disclosures about the integration of Westpac's new businesses, to persuade relevant publics to change their perceptions of what is acceptable, that is, that the integration was successful.

7.3 Employees

Employee disclosures rated as the second highest category of CSD. This was also true for the overall amount of employee related media attention that Westpac received. Again, legitimacy theory offers useful insights that may help to explain the disclosures. Interestingly, Westpac made no mention in its reports of any of the heavily publicised strike activity that occurred. As discussed earlier, the CSD made in the reports was generally positive in nature. While issues such as job cuts were avoided altogether, positive information such as Westpac's generous employee programs for example its six week maternity, paternity and adoption leave were favoured. This may be evidence that Lindblom's (1994) third strategy was employed – where negative information is known, and this information may cause a threat to organisational legitimacy, the organisation may attempt to identify methods and goals that do conform to public perception of what is appropriate.

In 2002 and 2003, a number of articles discussed redundancies made by Westpac (10% of its staff including senior managers) and various other incidents of strike activity. Although there is no mention of this in the reports, an increasing trend can be seen in the number of 'employee general' disclosures suggesting that Westpac are disclosing more general information. It would appear that while Westpac avoided negative issues, the number of positive employee related disclosures increased. The disclosures refer to positive, normative and socially acceptable employee practices. It may be argued, therefore, that where legitimacy-threatening incidents occur as in the case of employee dismissals and

strike activity, an organisation will increase the number of disclosures relating to positive practices in attempts to narrow the legitimacy gap.

Elsbach (1994) argues that in terms of corporate responses, organisations may use technical references to defend organisational legitimacy although references to institutional characteristics are more effective. In the 2004a report, Westpac reported the creation of 690 jobs in its Australia wide call centres. However, the media reported Westpac discharging 240 personnel, but also report that it will create approximately 600 additional jobs. Westpac does not mention in its reports the fact that it had to dismiss 240 people, but highlights the creation of 690 jobs (although the media reported 600). It appears that this is a technical reference aimed at defending legitimacy. While 300 jobs are lost, Westpac appears to signal its organisational effectiveness by creating twice as many jobs as those lost.

Additionally, Westpac placed a great deal of emphasis on hiring 900 mature aged workers. Ongoing disclosures such as Westpac's hiring policies and other related disclosures support this view. In terms of negative media attention, very little was received. There did seem to be a focus on the issue of mature aged workers in Australia, however, with headlines such as "PM Orders Inquiry into Ageing Workforce Crisis" (*AFR*, 2003). Although it does not appear that the disclosures were made in response to negative attention about Westpac, it does appear that Westpac made these disclosures in response to general community concern about the ageing workforce as reflected by the media. By placing particular emphasis on the hiring of mature aged workers and its equal opportunity hiring practices, Westpac are signalling their contribution to the community.

By the end of 2002, there was also some concern over Australian executive remuneration in the media. As discussed above, Westpac's CEO David Morgan was reported several times to be receiving a generous benefits package in conjunction with his generous salary. In terms of the level of disclosure, in 2002, Westpac made three disclosures under the section titled "executive remuneration fostering sustainable development" (2002 SIR). The disclosure mainly described that executive remuneration was linked, not only to financial objectives, but also to delivering to staff, customers and the broader community. In 2003, the disclosure was identical to that of the previous year. However, in 2004a, the number of disclosures doubles to six. The disclosures focused more on staff in general and related to employee share plans with little focus on executive remuneration. The same disclosures are made in the 2004b report. Again, Lindblom's (1994) third legitimation strategy appears to be the most useful in explaining media attention and disclosures. That is, due to public concern relating to executive remuneration, Westpac saw it necessary to double the number of disclosures in its reports. The disclosures contained information that suggested that its remuneration strategy was fair and that its treatment of all employees is also fair. By deflecting the attention from the issue at hand (the unfairness of excessive executive remuneration to that of the generous treatment of all employees), the disclosures appear to redirect attention and therefore support a possible legitimation motive from corporate management.

7.4 Other Significant Disclosures

When viewing the CSD patterns of audit, corporate governance and regulatory disclosures, it can be seen that there is a relatively flat trend. At first glance, it may appear that these disclosures are of little importance, but their relatively stable inclusion in the reports would suggest they serve a purpose. The CSD relating to corporate governance and audit suggest that Westpac is strongly governed, that there is a clear chain of accountability, and that Westpac conforms strictly to the necessary accounting standards. By making references to hierarchical flow charts, chains of accountability along with references to regulatory bodies (such as the ASIC and the Reserve Bank) it appears that Westpac is demonstrating strong institutional characteristics (Elsbach, 1994). From a legitimacy theory

perspective, this may be coupled with findings from O'Donovan's (2002) study in that corporate management prefer to maintain a high level of legitimacy than to attempt to repair low legitimacy. That is, by constantly maintaining that it is a normative company with strong institutional characteristics, Westpac are signalling that it is a legitimate company. As stated above, the same arguments may be made about its environmental and community disclosures. The number of awards, accolades and global initiatives (both environmental and social) merely reinforce Westpac's legitimacy. Ashforth & Gibbs (1990) argue that maintaining organisational legitimacy acts as a sedative where constituents are satisfied with the occasional warm signal. More than this, it can be argued that by maintaining high legitimacy, organisations can reduce the effects of major legitimacy threatening events (O'Donovan, 2002).

8. SUMMARY AND CONCLUSIONS

This study found that Westpac's CSD patterns do support predictions made by legitimacy theory. Some disclosures appeared to be direct attempts to defend organisational legitimacy (due to the specific nature of those disclosures). More importantly, evidence from this study suggests that due to the large amount of disclosures made relating to issues of little public concern, most of the CSD made in Westpac's Social Impact Reports were aimed at (1) extending and maintaining a high level of legitimacy, rather than defending it; and (2) deflecting attention from issues of low legitimacy to those with high legitimacy (such as Westpac's exceptional environmental and community related activities).

The study found Westpac's Social Impact reports were prepared in a formulaic approach and generally followed expectations ascertained from the literature. Information could be grouped into categories of environment, customer, employee and community. Several 'other' categories were also found, including audit, corporate governance, regulatory and supply chain management. Disclosures were found to be generally positive with little quantitative data disclosed.

8.1 Limitations

There are a number of limitations of this study. In terms of the method, there are limitations of both case studies and content analysis. Yin (1984) identifies several limitations of the case study method. First, he argues that where lack of rigour occurs, the investigator may allow equivocal evidence or biased views to influence the direction of the findings. Second, it is difficult to make generalisations from case studies. A final limitation of case studies is that they take too long, resulting in massive and unreadable documents. Several limitations of content analysis also exist and these are best described by Carney (1972). First, content analysis alone will not be sufficient, some other technique or theoretical perspective must be employed to make inferences from the message. Second, there is also an element of subjectivity involved in content analysis. Finally, content analysis is a process that divides the item under investigation into separate parts, in doing so, it may be noted that the message of the item under investigation may be lost.

In addition, this study was based on only four years of reports. Due to the small number of reports, general trends were difficult to establish. Finally, Guthrie & Parker (1989) state that matching peaks and troughs (the same method this study used) is too stringent a method and may not fully account for other situational factors.

8.2 Further Research

It would be worthwhile to undertake further inquiry into managerial perceptions of stand-alone social reports, including whether those responsible for issuing such communication perceive and react to legitimacy threats. Future research may consider the extent to which these documents are used to

contain the level of conflict or communication with an organisation's stakeholders. Other useful studies could concentrate on user reactions to such reports, including who uses them and what value is derived from reading them.

Finally, further inquiry relating to stand-alone reports is necessary. To date, there have been few studies that have concentrated on CSD made outside the annual reports, thus this would be invaluable in contributing to the volume of knowledge in the field of social and environmental accounting research. In particular, analyses that attempt to unpack the discourse in social reports, some of which are now beginning to appear (Higgins, 2006; Tregidga *et al.*, 2006), will contribute to understandings about the motivations for their production.

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