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Interpretations of Corporate Talk About Social Responsibility



ACADEMIC DISSERTATION

To be presented, with the permission of
the board of the School of Management of the University of Tampere,
for public discussion in the Paavo Koli Auditorium,
Kanslerinrinne 1, Tampere,
on December 21st, 2012, at 12 o'clock.

UNIVERSITY OF TAMPERE

ACADEMIC DISSERTATION
University of Tampere
School of Management
Finland

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Distribution
Bookshop TAJU
P.O. Box 617
33014 University of Tampere
Finland

Tel. +358 40 190 9800
taju@uta.fi
www.uta.fi/taju
<http://granum.uta.fi>

Cover design by
Mikko Reinikka

Layout
Sirpa Randell

Acta Universitatis Tamperensis 1792
ISBN 978-951-44-8999-0 (print)
ISSN-L 1455-1616
ISSN 1455-1616

Acta Electronica Universitatis Tamperensis 1268
ISBN 978-951-44-9000-2 (pdf)
ISSN 1456-954X
<http://acta.uta.fi>

Tampereen Yliopistopaino Oy – Juvenes Print
Tampere 2012

ACKNOWLEDGEMENTS

I am privileged in many ways, and not least by being surrounded by such a wonderful group of friends and family. You make all the difference! One rarely survives alone, and in this case a necessary support has also been provided by several public and private institutions. I feel fortunate indeed for the experience of writing my doctoral thesis, a process that has now come to completion with the publication of this book. While its contents symbolize much of what I am and what matters to me, finally, it is just a book – the world that really matters is out there!

This thesis would not exist without the support and encouragement of my supervisor, Professor Salme Näsi. I am grateful to Salme for seeing the potential in me in the first place and for inspiring me to begin and continue in this field of study. I particularly want to thank Salme for her example as a courageous and energetic academic who still manages to create a working environment that is very warm and human. I would be honored to have learned even a little bit from her spirit.

I am indebted to Professor Carmen Correa-Ruiz and Professor Den Patten for their comments during the pre-examination process. I am also very grateful to Professor Carmen Correa-Ruiz for accepting the task of opponent at the public defense.

This thesis was written mostly while I was working at the University of Tampere. My original “home,” the former Department of Economics and Accounting provided me with a great community and facilities in which to start working on my thesis. I am grateful to Professor Petri Vehmanen for all the support and comments on my work, and particularly for securing the needed amount of research hours for doctoral students. I want to thank Kyösti Koskela, and all my colleagues at the School of Management, as it is now, and the accounting scholars in particular for valuable and insightful comments and discussions, for cooperation, and for really making me feel at home. Thank you!

I have had the privilege of spending one academic year during my doctoral studies at the University of Canterbury, Christchurch, New Zealand. I cannot sufficiently express my gratitude to all the people who made this happen. I wish to thank Professors Amanda Ball and Markus Milne for the formal arrangements as well as for their constructive comments on my work. In addition, I wish to thank Bob Miller, Helen Tregidga and Puck Algera for all of the influential discussions and for opening up their homes and showing me around this exceptionally beautiful and unique country.

One of the most influential persons along the way has no doubt been Dr. Matias Laine. I wish to thank Matias for the countless hours of debating the various issues of academic life (and life in general), for reading and commenting on my texts and, most of all, for friendship. I also

wish to thank Professor Timo Hyvönen for sharing his knowledge, coffee breaks and detailed information on the history of Finnish rock music. Together, the three of us have managed to create a series of odd stories to pass along. Thanks, guys, for all the fun and laughter!

I particularly wish to thank Dr. Lotta-Maria Sinervo for friendship and understanding, and for sharing thoughts about the joys and challenges of conducting a doctoral study. It means a lot to me. Together with Dr. Anniina Autero, you have saved many gray days! Moreover, I want to thank M.Sc. Jaana Kettunen for much-valued peer support.

I have been lucky to work as a part of the RESPMAN Research group with several inspiring researchers. I wish to thank the whole group, and Professor Johanna Kujala in particular, for all the discussions, comments and fruitful cooperation. This group played a crucial role in my development as a researcher and showed that research can be fun, too. Moreover, I wish to thank M.Sc. Anna Heikkinen for all the help and for sharing experiences (and great gigs).

I wish to express my gratitude to the following institutions for financial support: the Academy of Finland, the Finnish Graduate School of Accounting, the Foundation for Economic Education, the Finnish Work Environment Fund, the Finnish Cultural Foundation, the Marcus Wallenberg Foundation and Tampereen Liikesivistysäätiö. I am also grateful to Virginia Mattila for her help with the English language and to Sirpa Randell for her assistance with the layout of the thesis.

Finally, I am forever indebted to my friends for all of your support during this process with its joys and sorrows (and you know there have been many). I wish to thank, first and foremost, Riina, my “big sister,” for being there for me no matter what. I also wish to thank my dearest, courageous friend Anni and her family for providing me with “a second home” (all inclusive!). I am particularly grateful to Sanna, Elina, Jenni, Sonja, Heidi, Simo, Olli and Risto for making my life meaningful both inside and outside academia. I also wish to thank the little ones, Tuomas and Minttu in particular, for the laughs and for giving me perspective.

I owe a great deal to my family. I hope I never lose the sensibility my grandmothers taught me nor the respect for life that pervaded my childhood home. My choices haven’t perhaps been the most typical ones, yet my family has always given me their full support to pursue my goals. I wish to thank my parents, Ulla and Tapio, and my brother, Toni, for this, as well as for their patience and good dog-sitting skills. The best of ideas have always been found lakeside in Kauppi or from “Retkun metsät” – naturally in the most cheerful four-legged company. And Jan, I am grateful for your kind heart and silly jokes. Just by being yourself, you make the world a better place.

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ABSTRACT

This thesis centers on the role of business in society and in particular the role of accounting in constituting this relationship. Accounting usually portrays the relationship between corporations and the surrounding society as a straightforward, conflict-free, win-win situation, where consensus is reached on the basis of objective knowledge. Companies tend to picture their operations and effects on a wider set of stakeholders in a similar manner. This kind of unitarist perspective is based on assumptions of shared purposes and a denial of any conflict between different parties in society. However, corporate social responsibility (CSR) builds on the idea that companies should acknowledge a wider set of stakeholders (with perhaps conflicting expectations) and a wider impact on society.

The thesis analyzes voluntary corporate social reporting practices and aims to problematize language use on corporate social responsibilities. Empirical material consisting of corporate social reporting by Finnish publicly listed companies was used to analyze the corporate talk about social responsibilities with qualitative research methods. This thesis consists of an introductory essay and four independent research articles previously published in or submitted to international scholarly accounting journals. This thesis aims to increase our understanding of corporate social responsibilities from three overlapping perspectives. Firstly, the thesis analyzes the corporate social responsibility reporting of large multinational corporations. Secondly, it reconstructs the meanings of social responsibilities in corporate talk. Thirdly, through the concept of ideology, this thesis focuses on problematizing the corporate talk about CSR within the larger societal context. The articles share a reflection on accounting as an interested endeavor and the realization that ideology plays a key role in the way in which accounting has been used to advance particular interests. Article 1 analyzes a case of organizational downsizing and demonstrates that, despite the alleged unitarist assumptions of shared benefits, the perceptions of the stakeholders do indeed differ from those of the company and its shareholders, and an outright conflict exists. Article 2 analyzes CSR reporting in the Finnish forest sector and shows how, by including particular issues and omitting others, accounting can serve to produce a particular way of seeing the corporate performance, and, simultaneously, how other ways of seeing are obscured. Articles 3 and 4 discuss corporate reporting in light of ideology theory. They shed light on how the reporting, with its ideological tendencies, also omits and excludes other ways of seeing the corporation, thereby creating a partial picture of the corporate performance and its impact on society.

Moreover, accounting, through its ideological role, has the ability to create and reshape the “corporate reality” by giving “certain signifiers an authoritative position in terms of helping us to understand the world, and at the same time, to silently exclude other ways of understanding the

world” (Cooper, 1995, p. 176). By making visible these kinds of taken-for-granted perceptions, the study aims at making room for alternative interpretations and discusses the potential of alternative accountings.

TIIVISTELMÄ

Tässä väitöskirjatutkimuksessa käsitellään [suur]yritysten roolia yhteiskunnassa ja yhteiskunnallisen hyvinvoinnin tuottamisessa sekä erityisesti laskentatoimen merkitystä tämän roolin rakentumisessa. Laskentatoimi tyypillisesti kuvaa yritysten ja niitä ympäröivän yhteiskunnan suhdetta suoraviivaisena, konfliktivapaana win-win –tilanteena, jossa ajatellaan, että konsensus on mahdollista saavuttaa objektiivisen tiedon perusteella. Yrityspuhe tyypillisesti antaa vastaavanlaisen kuvan yritysten omasta toiminnasta ja sen vaikutuksista eri sidosryhmiin sekä ympäröivään yhteiskuntaan laajemmin. Tämän kaltaisen unitaristisen näkemyksen mukaan yrityksellä ja sen kaikilla sidosryhmillä on yhtenevät tavoitteet ja yhtenäiset näkemykset yritystoiminnan vaikutuksista, eikä näiden näkemysten ja tavoitteiden välillä siis ole konflikteja. Toisaalta yritysten yhteiskuntavastuuajattelu kuitenkin perustuu heränneeseen keskusteluun siitä, että yritystoiminnalla voi olla myös mittavia negatiivisia vaikutuksia ympäröivään yhteiskuntaan ja että yritysten tulisi siten kantaa vastuuta toimintansa vaikutuksista laajemmasta näkökulmasta ja laajemmalle joukolle sidosryhmiä.

Tutkimuksen empiirinen materiaali koostuu suomalaisten suuryritysten yhteiskuntavastuuraportoinnista ajalla 2000–2009. Aineistoa on analysoitu laadullisin menetelmin. Väitöskirja koostuu neljästä itsenäisestä tutkimusartikkelista, joista suurin osa on julkaistu kansainvälisissä referoiduissa aikakauskirjoissa, sekä kokoavasta johdantoluvusta. Tutkimuksen tavoitteena on ollut analysoida suuryritysten vapaaehtoista yhteiskuntavastuuraportointia sekä sitä, miten yhteiskuntavastuun käsite rakentuu yritysten raportoinnissa ja yritysten tarjoamassa laskentainformaatioissa. Lisäksi tutkimuksessa problematisoidaan yritysten vastuupuhetta laajemmassa yhteiskunnallisessa kontekstissa ideologia-käsitteen kautta. Tutkimuksen taustaoletuksena on, että laskentatoimen tarjoama informaatio ei ole objektiivista vaan sosiaalisesti rakentunutta tietoa, jota voidaan käyttää tiettyjen näkökulmien edistämiseen.

Artikkelissa 1 analysoidaan yhden yrityksen irtisanomistapausta ja tuodaan esiin eri sidosryhmien toisistaan poikkeavia odotuksia irtisanomistilanteessa. Lisäksi tutkimuksessa analysoidaan laskentainformaation retorista painoarvoa irtisanomistilanteessa. Artikkelissa 2 analysoidaan suomalaisten metsäyritysten yhteiskuntavastuuraportointia viimeisen vuosikymmenen aikana sekä sitä, miten metsäsektorin rakennemuutos raportoinnissa kuvataan. Artikkeliksi osoittaa, miten tiettyä [taloudellista] näkökulmaa painottamalla ja muita, mahdollisesti vastakkaisia näkökulmia poissulkemalla laskentainformaatio tarjoaa rajoitetun kuvan yritystoiminnan yhteiskunnallisista vaikutuksista. Artikkelit 3 ja 4 analysoivat yhteiskuntavastuuraportointia ideologia-käsitteen kautta. Artikkelissa 3 aineistona on käytetty toimitusjohtajien katsauksia ja artikkelissa 4 yritysten henkilöstöraportointia. Artikkeleissa osoitetaan, kuinka erityisesti yritystoiminnan

taloudellisen kannattavuuden priorisointi esitetään yritysten raportoinnissa itsestäänselvyytenä, yhteisesti hyväksyttynä ”liiketoiminnan lainalaisuutena”, jonka seuraukset ovat hyväksi kaikille osapuolille. Kokonaisuutena tässä väitöstutkimuksessa kuitenkin osoitetaan, että tämänkaltaisen unitaristinen näkemys on ristiriidassa eri sidosryhmien näkemysten kanssa. Sen sijaan voidaan sanoa, että yrityspuhe on luonteeltaan ideologista ja rajoittaa vaihtoehtoisten tulkintojen löytämisen ja esittämisen mahdollisuuksia.

Yritysten yhteiskuntavastuuraportoinnin on oletettu parantavan yritystoiminnan läpinäkyvyyttä ja vastuuriskien hallintaa muun muassa tarjoamalla sidosryhmille kattavaa tietoa yritystoiminnan vaikutuksista ja toisaalta tunnistamalla ja ennaltaehkäisemällä yritystoiminnan mahdollisia negatiivisia vaikutuksia. Tämän väitöstutkimuksen tuloksena tuodaan esiin yritysten nykyisten raportointikäytäntöjen rajallisuus suhteessa niille asetettuihin tavoitteisiin. Lisäksi tutkimuksessa analysoidaan näiden käytäntöjen laajempia yhteiskunnallisia vaikutuksia. Tutkimuksessa esitetään, että huolimatta yllämainituista tavoitteista yrityspuhe ja nykyiset raportointikäytännöt vahvistavat näkemystä siitä, että yritystoiminnan tavoitteet ovat yhtenäisiä ympäröivän yhteiskunnan kanssa, eli negatiivisia vaikutuksia ei [pitkällä tähtäimellä] ole. Tämänkaltaisen näkemys yritysten yhteiskunnallisesta roolista vahvistaa olemassaolevia valtasuhteita ja samanaikaisesti heikentää niistä poikkeavien tulkintojen tekemisen ja hyödyntämisen mahdollisuuksia. Myös puutteellinen informaatio yritystoiminnan vaikutuksista hyvin konkreettisesti estää dialogin mahdollisuuden. Tutkimuksen tavoitteena on ollut avata näitä yritystoiminnan väitettyjä ”lainalaisuuksia” ja tuoda esiin keskustelua vaihtoehtoisten tulkintojen mahdollisuuksista.

LIST OF THE ORIGINAL ARTICLES

Article 1:

Mäkelä, H. and Näsi, S. (2010). "Social Responsibilities of the MNCs in Downsizing Operations – A Finnish Forest Sector Case analyzed from the Stakeholder, Social Contract and Legitimacy Theory Point of View." *Accounting, Auditing & Accountability Journal* Vol. 23 No. 2, pp. 149–74. With permission from Emerald.

Article 2:

Mäkelä, H. "Corporate social reporting in the Finnish forest sector – A political economy perspective". (On review)

Article 3:

Mäkelä, H. and Laine, M. (2011). "A CEO with many messages: Comparing the ideological representations provided by different corporate reports." *Accounting Forum* Vol. 35 No. 4, pp. 217–31. With permission from Elsevier.

Article 4:

Mäkelä, H. (2012). "On the ideological role of employee reporting". *Critical Perspectives on Accounting*, doi:10.1016/j.cpa.2012.11.004. With permission from Elsevier.

1 INTRODUCTION

1.1 Overview

This thesis centers around two main themes: accounting and corporate social responsibility.¹ Generally, I have been interested in understanding the role of business in society, and, naturally, as an accounting student, have considered the role of accounting as essential in the constitution of this relationship. To study this, I have chosen the medium of corporate reporting.

Accounting usually portrays the relationship between corporations and the surrounding society as a straightforward, conflict-free, win-win situation where consensus is reached based on objective knowledge (see e.g. Boyce, 2009; Tinker *et al.*, 1982). In their disclosure, companies tend to picture their operations and effects toward a wider set of stakeholders in a similar manner (Spence, 2007). This kind of unitarist perspective (Brown, 2000) is based on assumptions of shared purposes and denial of any conflict between different parties in society. More and more, we hear this kind of rhetoric dominating politics in the Western world too.²

At the same time, however, we hear about global warming, environmental disasters (Shell, BP, Talvivaara, etc.), suicides due to stressful work life (France Telecom, Renault, Foxconn, Rautaruukki), growing inequality in income, growing use of medication for mental disorders, people protesting against the current societal system of capitalism (Occupy Wall Street, the degrowth movement), and so forth. All these tell quite a different story about the allegedly unitarist relationship between business and society. The impact of large corporations on society, the endless striving for efficiency and profitability and the whole capitalistic market system are largely questioned as causing social and environmental degradation to [some parts of] society.

But, what has accounting got to do with it? Accounting is typically used to measure (and optimize)³ profits, particularly when used in the context of limited companies (but widely spread to the public sector and other organizational forms, too) that aim at increasing shareholder value. The more the better, as is usually the case. Accounting calculations and procedures are developed for this purpose (Chua, 1996; Boyce, 2009; IFRS), i.e. they focus on maximizing the bottom line. Along with this development, we have also come to accept this as the main purpose of accounting. Moreover, in line with the unitarist [or neoliberal] assumptions of the relationship between business and society, the assumption that maximizing the profit (and growth) of corporations

¹ In other words, social accounting. Gray (2002, p. 687) defines social accounting as “all forms of ‘accounts which go beyond the economic’ and for all the different labels under which it appears – social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting as well as environmental accounting and reporting”. In this thesis, similar concepts may be used too, for instance social and environmental accounting and sustainability accounting. If not otherwise stated, they are all used with the same meaning.

² OECD (2011); European Commission (2011); Finnish Government (2011).

³ For instance, through depreciation and tax planning.

ultimately leaves everybody better off is often considered as taken-for-granted, as ‘a natural fact’⁴ (Tinker *et al.*, 1982), as this study also shows. Accounting plays a part in this naturalization of a particular worldview, as is being discussed in this study through the concept of ideology.

Particularly, this thesis focuses on corporate social responsibility (CSR) reporting. CSR reports, either standalone or integrated, are the main media for companies to report on their responsibilities to society (KPMG, 2011), in other words to fulfill their accountability. Usually, to be able to report on something, the companies first have to account for it. Accounting is often said to be ‘the language of business’ and this language is used to account for and report the corporate performance to outside and inside stakeholders. Corporate reporting is a medium open to anyone to read and research, which makes it, firstly, an important media to study due to its wide audience,⁵ and secondly, a conveniently accessible data for studies of ‘corporate talk’. Furthermore, companies put a lot of effort into CSR reporting. What are the purposes and implications of this investment? Finally, this study is interested in how we come to constitute the idea of corporate social⁶ responsibilities as we do. What is the role of companies and their reporting in this? This thesis relies on the idea of social constructionism (Berger and Luckmann, 1966) and states that our understanding of the world is socially constructed. Therefore, it is maintained that CSR reports play an important role in the construction of the understanding of corporate social responsibility, and the role of business in society in general.

⁴ Securing the interests of business and the value of shareholders is in the interests of many influential political and economic institutions, like the European Union, the OECD, audit companies, etc. As an example, the OECD’s principles for corporate governance (2004) state that “Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders and should facilitate effective monitoring.”

⁵ Naturally, how many of us actually read corporate reports can be questioned.

⁶ The term ‘social’ is an ambiguous concept here. On the other hand, ‘corporate social responsibilities’ refers to responsibilities other than environmental and economic ones, often understood as being related to employees and their wellbeing, the local community, human rights and product responsibility. However, this is not a clear-cut category either; for instance it can be debated whether cultural responsibility is included in the social one, or whether it is a category of its own. Moreover, the different aspects of CSR are not easily categorized as they are very much overlapping. On the other hand, then again, the term ‘social’ here refers to the society around the companies; society at large as a stakeholder. And, finally, social can be used to refer to the idea of a socio-political context within which companies operate.

1.2 Aim of the study

This thesis consists of an introductory essay and four independent research articles previously published in or submitted to international scholarly accounting journals. All four articles have a purpose and research design of their own, but they all contribute to the overall aim of this thesis. Through these four articles, plus the introductory essay, this thesis aims at *deepening our understanding of corporate social responsibilities* from three overlapping perspectives. Firstly, the thesis *analyzes the corporate social responsibility reporting of large multinational corporations*. Secondly, it *reconstructs the meanings of social responsibilities in corporate talk*. Thirdly, *through the concept of ideology, this thesis focuses on problematizing the corporate talk about CSR within the larger societal context*.

The study uses the empirical material of multinational companies based in Finland. Naturally, this study builds on this particular setting and is interested in understanding CSR in this context of a developed Nordic country. However, it is argued that despite the empirical material being from only one country, the study also contributes to our 'global' understanding of CSR. The conditions and business environment of Finnish multinationals are similar to any other corporations operating in global markets with global capital and customers. They are all exposed to the same business logic, the same socio-political pressures (e.g. climate change or financial crisis) and often operate in the same kind of political context, for instance in the European Union. They all report on their CSR more or less similarly (KPMG, 2011; Global Reporting 2011). The results of this study are therefore argued to be of importance to the field of international accounting studies, too. Furthermore, this study focuses on large, publicly listed multinational corporations. Due to the generally accepted importance of business in achieving political goals (e.g. in the EU; or for another perspective on the powerful role of corporations see e.g. Bakan, 2005) and their huge influence on society, it is important to understand their role and responsibilities in enhancing the wellbeing of society.

To study CSR, corporate reporting was chosen as the media. CSR reporting and other forms of disclosure are media in which companies communicate and inform stakeholders about their social performance and their role in society. Corporate 'talk' here refers to all forms of corporate communication that is accessed here mainly through corporate reporting.⁷ Annual and CSR reports are also written and distributed directly by the companies themselves;⁸ not mediated through another party, like newspapers for instance. The message can be seen to be directly from the company and to represent the 'official information' of the company. Naturally, the

⁷ The terms 'corporate social reporting' and 'corporate social disclosure' are used interchangeably here. 'Reporting' is normally used to refer to the annual and CSR reports in particular, whereas 'disclosure' may also consist of other types of communication.

⁸ Here, no difference is being made between the possible writers of the report; whether written and compiled by the accounting department or the marketing director, the report is still 'The Report' of the company, and as signed by the CEO, can be seen to represent 'the official truth' of the company.

medium of annual reports is one-sided; it is only the corporation's voice that can be heard in the annual report.⁹ Indeed, it is noted that too often researchers focus on one side of the relationship only and do not consider the other side of the story; the ones who receive the information (e.g. Ferguson, 2007; Thompson, 1990). The importance of this viewpoint is acknowledged here too. However, studying this would be another story. Moreover, all the implications and 'real' effects of corporate disclosure would be impossible to trace, as the effects of certain types of disclosure can be widespread.

1.3 *Structure of the thesis*

The thesis consists of this introductory essay and four independent research articles previously published in or submitted to international scholarly accounting journals.

This opening section provided an overview of the thesis and its motivation, and presented the aim of the study with some research limitations. The introductory essay now continues with positioning the study in the field of accounting studies. After this, the theoretical framework of the study, including the concept of ideology, is presented. The following section summarizes the four articles in this thesis and discusses their main contributions. Finally, the introductory essay concludes the findings of this study from the perspective of ideology theory. The current CSR reporting practice and its implications are being discussed in this light, and some final remarks are made.

2 ACCOUNTING IN ITS SOCIAL CONTEXT

2.1 *Social and environmental accounting and reporting*

This study is grounded in the literature on social and environmental accounting and reporting (SEA, SEAR), and particularly on the latter. This field of literature is not new; it has been studied since at least the late 1960s and 1970s (Bowman, 1973; Bowman and Haire, 1976; Preston, 1981; Puxty, 1986; Parker, 1986). As reported by Dierkes and Bauer (1973, xi), the need to widen the scope of accounting was realized at this time: "The past two years have witnessed an almost geometric increase in the number of discussions on the need for an extended accounting system that would enable the business corporation to be more responsive to the rapidly changing demands in its sociopolitical environment". Already at this time some of the (North American) corporations had reported on their social and environmental responsibilities (Bowman, 1973; Bowman and Haire, 1976). The discussion paper *The Corporate Report* was published in 1975 with great merits on a theoretical level (Jones, 1995) on discussing the broader information needs

⁹ Of course, other voices *could* also be heard, see discussion at the end of this chapter.

for corporate disclosure. However, it did not succeed in establishing the social reporting practice in the corporate field.

The amount and substance of corporate social reporting has varied over time depending, for instance, on the financial performance of the companies (Bowman and Haire 1976; Gray *et al.*, 1995; Patten and Trompeter, 2003). Adams (2002) argued that three types of organizational factors influence reporting; corporate characteristics, internal contextual factors and general contextual factors. Motivations for corporate social reporting have been reported to be institutional pressures (DiMaggio and Powell, 1983; Larrinaga, 2007; Laine, 2009), managing public impressions (Neu *et al.*, 1998; Bebbington *et al.*, 2008) and the legitimacy of corporate actions (Patten, 1992a, b; Gray *et al.*, 1995; Milne and Patten, 2002; Deegan, 2002; Cho and Patten, 2007; Cho, 2009).

The motives for corporate social disclosure have been studied from a wider societal perspective, too. This field of study analyzes the broader societal implications of corporate performance and corporate social disclosure in particular. These studies are usually grounded in the ideas of social constructionism and they discuss the multifaceted relationship between corporations and society at large. These studies are based on the “linguistic turn” (Alvesson and Kärreman, 2000) in social sciences and they focus on the socially constructed nature of our understandings and knowledge of corporate social responsibilities, and how the corporate talk, usually corporate disclosure in all its forms, influences and is influenced by our understandings of CSR. Among these studies Livesey and Kearins (2002), Livesey (2002a, b), Tregidga and Milne (2006), Buhr and Reiter (2006), and Laine (2005) have analyzed the meanings of sustainable development in corporate reporting. To sum up, corporate social reporting is not a new phenomenon, but the practice as well as the research on it has existed for decades with a varying volume.

Naturally, this doctoral thesis is not the first one to report such issues. Those interested in a more detailed report on the history and previous literature on corporate social and environmental accounting and reporting are encouraged to turn to the excellent pieces of work by Tregidga (2007), Carter (2008), Boyce (2009) and Laine (2009).

Before proceeding further, a couple of words about the legislation of corporate social reporting are relevant here. It is important to take notice of the fact that there is no detailed legislation for this type of reporting of corporate social performance. It could also be stated here, quoting Gaffikin (2008, p. 20), that accounting is being defined by “those with the greatest political power”. Therefore, the fact that there is a complexity of laws to support the needs of shareholders and not so many for the needs of other stakeholders is not surprising. Some countries do require that companies provide information on their social performance, too (Wensen *et al.*, 2011). The global and national governing institutions have also started to acknowledge the existence and need for corporate social responsibilities. Large international institutions like the United Nations, the OECD and the European Union all renewed their guidelines on corporate social responsibility in 2011. Yet, their comments are usually based on recommendations of voluntary actions by the

companies. In their latest directive (COM, 2011, p. 681), however, the European Union ‘moved beyond’ voluntary engagement and the term ‘voluntary’ is now removed from the definition. This should not be taken too far, though, as the new strategy still builds on the perspective of corporate interests: “A strategic approach to CSR is increasingly important to the competitiveness of enterprises”. The Finnish Government is also in line with the other institutions and ‘encourages’ CSR for companies, but their guidelines are also based on the voluntary willingness of companies to act. Despite the lack of legislation for CSR reporting, the majority of large companies¹⁰ are reporting on their social and environmental responsibilities (KPMG, 2011). Guidance for reporting is provided by several institutions that publish reporting standards and guidelines, the most popular ones being the Global Reporting Initiative (GRI), AccountAbility, the UN Global Compact and the ISO 26000 certificate.

2.2 *The social role of accounting*

“Accounting cannot be conceived as purely an organizational phenomenon” (Burchell *et al.*, 1980, p. 19). The economic and political importance of accounting in our contemporary society gives it significant social power (Boyce, 2009, p. 89; Miller and O’Leary, 1987). Accounting has the ability to create “a particular conception of organizational society” (Burchell *et al.*, 1980, p. 5) by defining what is important and what is not; in other words, what is included in the calculations and what is perhaps left out or given minor value. For instance, “budgets are not merely ‘best estimates’ of what will happen; they are also targets used to motivate managers to adopt particular courses of action” (Tinker *et al.*, 1982, p. 173; see also Hopwood, 1974). The influential contribution from Hines (1988) discusses the role of accounting in creating a particular construction of ‘the real’ and how accounting and the boundaries it creates are very much a social construction (Berger and Luckmann, 1966; Hacking, 1999). As Boyce (2009, p. 89) argues, “accounting researchers, practitioners and educators play a key mediating role in social understandings of economic and organizational activity”.

From a more practical viewpoint, accounting influences the relationship between business and state to a great extent by, for instance, defining the financial profit for taxation purposes. Accounting calculations are also used for decision-making purposes in public and private investments, implementation of policies for economic stabilization, price control, and so forth (Burchell *et al.*, 1980). The logic of accounting calculations may easily appear to be neutral and to provide us with objective knowledge about corporate performance. However, it has long been acknowledged that accounting is a social construction and both the accounting techniques used for calculations as well as the results of these calculations are very much socio-historical formations and influenced by human behavior (see e.g. Zeff, 1978; Burchell *et al.*, 1980; Tinker, 1980, 1985, 1988; Cooper, 1980; Tinker *et al.*, 1982; Cooper and Sherer, 1984; Hopwood, 1987;

¹⁰ Ninety-five percent of the 250 largest companies globally, 71% in Europe and 85% in Finland report on CSR.

Williams, 1987; Tinker and Neimark, 1987; Hines, 1988; Arrington and Puxty, 1991; Arrington and Francis, 1993; Miller and Napier, 1993).

Furthermore, as Arrington and Puxty (1991, p. 33), quote Hopwood (1989, p. 141):

Accounting is coming to be regarded as an interested endeavor. Rather than being seen as merely residing in the technical domain, serving the role of a neutral facilitator of effective decision-making, accounting is slowly starting to be related to the pursuit of quite particular economic, social and political interests. The active and influential ways in which accounting is implicated in the construction and propagation of notions of organizational and social control are now starting to be addressed.

Likewise, Zeff (1978) argued that accounting, particularly through participation in the accounting policy-making process, was a chance for particular individuals and institutions to fulfill their needs. Accounting can therefore be said to serve ideological purposes. Actually, the image of accounting as factual, relevant and a provider of neutral and objective knowledge perfectly serves the 'ideological strategies' (Eagleton, 1991/2007; Thompson, 1990) of certain interests. However, as explicitly shown, for instance, by Tinker *et al.*, (1982), Tinker (1988), and Miller and Napier (1993), accounting itself is normative, value-laden, and, instead of being socially neutral, is said to mask an ideological bias.

Tinker *et al.* (1982) make visible the socio-historical development of accounting and show how in the present conception of value, based on the logic of marginalism, a number of social policy issues – like that of distribution of income – have been removed from the economic agenda. This kind of accounting with a technical emphasis is considered to be neutral and value-free, but as Tinker *et al.* (1982, p. 169) show (in terms of mainstream accounting research), in fact all the important pre-analytical decisions, like choosing the problem and the variables, are made at the outset of the research. Given that they are left outside of the theory formulation, they are not subject to critical analysis and are therefore seen as trivial. Arnold (1998, p. 666), too, remains cautious about the "objectivist interpretations which abstract accounting numbers from social context and view them as 'truths'". This kind of 'outsourcing' of all relevant, value-laden and contingent issues in the research design is what creates the naturalizing effect of accounting and makes the results seem to be objective and ultimate truths. Miller and Napier (1993, p. 633) in their study of the genealogy of accounting also aim at making visible and "emphasizing the historical contingency of contemporary practices and to debunk the permanence of the present".

2.3 *Accounting and ideology*

Though rarely linked to the 'mainstream' accounting literature, the concept of ideology is not uncommon in accounting. Over the years, there have been many critical scholars interested in the interconnected relationship between accounting and ideology and how accounting perhaps serves certain [dominant] ideologies. Arrington and Puxty (1991) reviewed studies by various

authors (i.e. Zeff, 1978; Neimark, 1986; Williams, 1987; Tinker *et al.*, 1982; Tinker, 1988). Furthermore, several researchers have more recently shown interest in the concept of ideology as it is related to accounting (e.g. Lehman, 1992; Oakes *et al.*, 1994; Robson *et al.*, 1994; Cooper, 1995; Catchpole and Cooper, 1999; Everett and Neu, 2000; Neu *et al.*, 2001; Baker, 2005; Ferguson *et al.*, 2005, 2009; Milne *et al.*, 2009). Of the studies included in this thesis, Articles 3 and 4 also discuss ideology.

Broadly speaking, this field of study focuses on the relationship between accounting and the surrounding society, or oftentimes, the role of accounting in society. What these papers have in common is their reflection on accounting as an interested endeavor and the realization that ideology plays a key role in the way in which accounting has been used to advance particular interests. The following section elaborates further on the concept of ideology. This part of the essay draws heavily on Article 4 of this thesis, which also includes a more detailed discussion as well as ideological analysis of corporate social reporting.

Throughout its history, since the end of the 18th century, there has been debate over the meanings of the concept of ideology. The origins of the concept relate to the French Enlightenment and to Destutt de Tracy, who invented ideology as ‘the theory of theories’ – ‘the first science’ (Eagleton, 1991, p. 63; see also Hall, 1983; Thompson, 1990, p. 29; Uusitupa, 1991; Rehmann, 2007). In other words, originally the word ‘ideology’ literally meant ‘the scientific study of human ideas’, and de Tracy aimed at developing a systematic method for analyzing all other theories. However, it was Napoleon who gave ideology the pejorative meaning often attached to the concept since then, claiming that ideology was illusions or “abstract speculative doctrine” divorced from reality (Thompson, 1990, p. 31; Uusitupa, 1991). As stated by Thompson (1990, p. 32), the concept of ideology turned so that “ideology qua positive and pre-eminent science, worthy of the highest respect, gradually gave way to ideology qua abstract and illusory ideas, worthy of derision and disdain”.

One of the thinkers most commonly connected to the study of ideology is Marx, even though he himself actually wrote very little about ideology as such. What Marx ‘really meant’ when using the concept of ideology is often debated (Hall, 1983; Eagleton, 1991; Thompson, 1990; Uusitupa, 1991), but Marx’s importance in the historical debate over ideology lies in the fact that, adopting the negative understanding of the concept introduced by Napoleon, he linked it with the theoretical and political program, giving the concept more substance (Hall, 1983; Thompson, 1990; Uusitupa, 1991). Just as with de Tracy and Napoleon, the battle between Marx and the ‘Young Hegelians’ was about the connections between thought and reality. Marx claimed that the ‘German ideologists’ failed to see these connections between their ideas and the social-historical conditions, and thus their criticism based only on abstract ideas lacked any transformative power (Marx, 1958, 1978). In one of his most often stated quotations Marx (1958, p. 308) states that;

[...] neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life [...]

Thompson (1990) and Eagleton (1991) review the main arguments for ideology, providing a foundation to study ideology 'in practice'. They both follow the common distinction between a 'neutral' and a 'critical' notion of ideology.¹¹ The latter Thompson defines as 'meaning in the service of power'. Eagleton elaborates this further by analyzing the limitations of the concept of ideology. With a less critical approach, defining any belief system and 'a rigid set of ideas' (Eagleton, 1991) as ideological threatens the very essence of the concept, as counting everything in does not really tell much about what is special in the concept. Moreover, not every set of ideas can be considered ideological. Then again, restricting oneself to the definition of ideology as something that serves to sustain relations of domination (Thompson, 1990) would exclude many 'alternative', as opposed to 'dominant', sets of beliefs from the definition, even though these are exactly the ones that are considered ideological in everyday language. Another point that Eagleton (1991) makes in this regard is related to the "nature of power itself" (p. 7): "To limit the notion of power to its most obvious political manifestations would itself be an ideological move". In other words, 'power' is difficult, if not impossible to locate or specify, yet certain ideas and occasions surely hold more power than others (see also references to later work by Foucault).

Furthermore, Eagleton connects the Foucauldian concept of discourse to ideology, saying that ideology is a "matter of discourse". Ideology works with actual uses of language to produce particular meanings and effects. Importantly, ideology must be studied in context, considering "who is saying what to whom for what purposes", such as analyzing the power-interests they serve and the political effects they generate (Eagleton, 2007, p. 9). Moreover, studying ideology from a discursive perspective means that we must understand the historical, partial, and contingent nature of discourse (see also Foucault, 1969/2005).

Discourse and discursivity are central in the post-structuralist (and post-Marxist) understanding of ideology (see e.g. Laclau and Mouffe, 1985; Glynos, 2001; Glynos and Howarth, 2007; Howarth, 2009). Taking the linguistic turn to its extreme,¹² the post-structuralist conception of ideology draws, for instance, on Saussure, Derrida, and Lacan and emphasizes the radical contingency of social objectivity. Laclau and Mouffe (1985, p. 96) define discourse as "an articulatory practice that constitutes and organizes social relations". The role of ideology in this field of thought is then "to conceal the radical contingency of social relations and to naturalize relations of domination" (Howarth, 2009, p. 310). This work provides many interesting viewpoints; for instance ideas that draw on the Lacanian notion of fantasy in understanding "how subjects are gripped by discourses" (Howarth, 2009, p. 326; see also Glynos, 2001; Glynos and Howarth, 2007). However, quoting

¹¹ For a more detailed review of the history and many variations in the concept of ideology, see e.g. Hall, 1983; Thompson, 1990; Eagleton, 1991; Uusitupa, 1991; Koivisto and Pietilä, 1996/97, and Rehmann, 2007.

¹² Naturally, not all the post-structuralists subscribe to this extreme view.

Cooper (1995, p. 206; see also Eagleton, 1991/2007 and Rehmann, 2007), “if one takes the crude reading of the post structuralist case too far that signifieds are simply determined by signifiers {that the signifier conjures the real situation into being} or that ‘nothing exists outside of the text’, then there could be no ‘real’ situation to work on.” Similarly, this study remains cautious of theories that appear too close to the post-structuralist notion that there would be no given ‘reality’ at all beyond the signifier or that subjects would be fully constituted by discourse only. As stated rather ironically by Eagleton (2007, p. 219), “a practice may well be organized like a discourse, but as a matter of fact, it is a practice rather than discourse”.

In sum, Eagleton (1991/2007) relates ideology to the interests and power conflicts that, at any given time, are fairly central to a whole social order (Eagleton, 2007, p. 10). This study employs the concept of ideology by aiming at making visible the contingency, eternalization and naturalization in a particular discourse. Importantly, Eagleton (2007, p. 59) writes about the “dehistoricizing thrust of ideology”, by which he means the:

[T]acit denial that ideas and beliefs are specific to a particular time, place and social group. [...] to conceive of forms of consciousness as autonomous, magically absolved from social determinants, is to uncouple them from history and so convert them into a natural phenomenon.

This study does not make explicit use of the context in the analysis in the way recommended by Thompson (1990) (see also Ferguson, 2007) – in other words it does not study the reception of the texts. However, the study relies on the approach in arguing for the importance of the material conditions, the broader societal context of all [accounting] activities, hence making explicit the [a?]political nature of accounting itself. The study relies on the concept of ideology, and maintains that despite its often neutral, objective and taken-for-granted nature, accounting discourse is essentially political in nature. Hence, the study aims at making evident the ideological underpinnings of corporate talk about social responsibility and accounting-related texts in particular, that are here considered as “ideological terrains of struggle” (Hall, 1983).

3 METHODOLOGY

Discourse analytical studies have been introduced into the field of social and environmental accounting and reporting in the last couple of decades (Alvesson and Kärreman, 2000; Livesey and Kearins, 2002; Livesey, 2002a, b; Buhr and Reiter, 2006 and many others). It has been realized that the way corporations talk about their responsibilities, their role in society, their goals, or for instance sustainability in general is far from irrelevant. On the contrary, companies as powerful actors in society have been said to be influential in how other parties of society come to understand the idea of sustainable development, for instance (Everett and Neu, 2000; Livesey and Kearins, 2002). In other words, corporate accounts, including CSR disclosure, have rhetorical

and political power in the constitution of our socially constructed understandings (Berger and Luckmann, 1966; Hines, 1988). Therefore, it is argued here that the results of the often used content analytical methods (Guthrie and Parker, 1989; Deegan *et al.*, 2002; Adams and McPhail, 2004; Abeysekera and Guthrie, 2005; Campbell *et al.*, 2006) for analyzing corporate reporting are limited in the sense that by focusing on volumetric analysis only they are perhaps not able to address the wider socio-political implications of corporate disclosure.

The ontological and epistemological assumptions underlying this study have already been presented in the previous sections while discussing the aim of this thesis as well as, and particularly, the theory of ideology. Furthermore, each of the individual articles has its own particular research design and an appropriate research methodology, which are presented in more detail in the articles themselves. To sum up, the study uses a collection of qualitative research methods to analyze corporate social disclosure. The empirical material used in this study is mainly based on corporate annual and social responsibility reports from the time period of 2000 to 2009. All of the empirical material is publicly available – the corporate reporting of Finnish publicly limited companies (Articles 1-4) as well as the mass media articles used in Article 1. Table 1 provides a summary of the research design used in all four research articles included in this thesis, and the following section then summarizes each of the articles individually.

Generally, the thesis builds on the social constructionist understanding of reality (Berger and Luckmann, 1966). It is argued that language, corporate talk for instance, is what makes reality meaningful to us; it produces particular meanings and ways of seeing ‘the real’. What is common in all of the articles in this thesis is their focus on corporate talk and its wider implications. Hence, corporate talk in the form of written texts has been used as the empirical material and the focus of scrutiny in all of the articles. The analysis has been on the level of content, too, but particularly on the level of ‘discourse’, the particular way of talking about and understanding the world we live in (see e.g. Phillips and Jørgensen, 2002). The field of discourse analysis is extremely vast and complex (see e.g. Alvesson and Kärreman, 2000). The analysis in the articles of this thesis has mainly been informed by the ideas of Phillips and Hardy (2002), Foucault (1969/2005), Fairclough (1989, 1992), Thompson (1990) and Eagleton (1991/2007). The general and loosely followed discourse analytical aim of this thesis has been on offering interpretations and revealing the contingency of corporate talk about corporate social responsibilities, which is seen as powerful in constituting and maintaining a particular (hegemonic) way of seeing. This is, particularly in Articles 3 and 4, closely linked to analyzing the ideological role of the corporate talk.

Naturally, studying ideology or the use of a particular discourse as a ‘systematic practice’ is very difficult, as it is impossible to categorize the particular circumstances where ideology exists or does not exist. As it is fundamentally linked to our everyday lives, it is impossible to trace all possible means and ways of being of ideology. As mentioned, the very best functioning of ideology is when and where we do not see it. However, we can find examples of the workings of ideology in many areas of our lives. Here, the corporate annual reports have been chosen as an area of study,

for the obvious reasons related to the power of global corporations. To trace and show some of the workings of ideology, however, we must have some reference points; something to hold on to. To be able to do this, the articles in this study have followed the ‘ideological strategies’ as introduced by Eagleton (1991/2007) and Thompson (1990). The theoretical (and methodological) framework is discussed in more detail in Articles 3 and 4.

The analysis in this thesis aimed at offering interpretations of corporate talk about social responsibility. As stated by Thompson (1990, p. 294): “the meaning of a symbolic form is not given, fixed, determinate; to offer an interpretation is to project a possible meaning, one of several possible meanings which may diverge from, or conflict with one another.” Likewise, the thesis relies on the “critical potential of interpretation” (Thompson, 1990) and argues that it is essential to analyze the corporate talk from an ideological perspective and aim at making explicit the allegedly neutral and objective, taken-for-granted view of [social] accounting and of corporate social performance and to make room for other ways of seeing. As such, to offer an interpretation is seen as valuable as it can make visible the inherent conflict in interest between different stakeholders and parties of society.

4 SUMMARY OF THE ARTICLES

The essay now moves on to introduce and summarize the four independent research articles included in this thesis. First, a table summarizing the articles is presented.

	Article 1	Article 2	Article 3	Article 4
Authors	Hannele Mäkelä & Salme Näsi	Hannele Mäkelä	Hannele Mäkelä & Marias Laine	Hannele Mäkelä
Journal	Accounting, Auditing & Accountability Journal 2010; 23(2), 149-174.	(On review)	Accounting Forum 2011; 31(4), 217-231.	Critical Perspectives on Accounting (forthcoming)
Title	Social responsibilities of MNCs in downsizing operations	Corporate social reporting in the Finnish forest sector – A political economy perspective	A CEO with many messages: Comparing the ideological representations provided by different corporate reports	On the ideological role of employee reporting
Purpose	Adds to the understanding of the social aspects of corporate social responsibility (CSR) by studying a case of organizational downsizing.	Discourse analysis of changing responsibilities during a period of massive structural change in the forest industry.	Analysis of how corporate reporting is used to reinforce particular worldviews in the on-going discursive debate over sustainability.	Analysis of the ideologies underlying employee reporting and problematization of the corporate talk about employees.
Method	Textual analysis methods	Discourse analysis, content analysis	Discourse analysis on ideological strategies	Discourse analysis on ideological strategies
Empirical material	Corporate annual & CSR reports, media texts	Corporate annual & CSR reports	Corporate annual & CSR reports	Corporate annual & CSR reports
Theoretical emphasis	Legitimacy theory, stakeholder theory	Political economy theory	Ideology	Ideology
Key contribution	Understanding of CSR in a particular, yet common case of organizational downsizing. Links the theoretical debate on CSR to a context with a complex range of political and social factors affecting construction of the CSR of a firm.	Identification of the change both in the contents as well as in discourse within CSR reporting during a period of structural change in the industry.	Identification of the ideologies underlying employee reporting. Despite the difference in discourse, by using different forms of ideological strategies, both types of disclosure serve the dominant social paradigm.	Identification of the ideologies underlying employee reporting/corporate talk about employees.

Table 1 Summary of the articles

4.1 Article 1

Mäkelä, H. and Näsi, S. (2010), "Social responsibilities of MNCs in downsizing operations: A Finnish forest sector case analyzed from the stakeholder, social contract and legitimacy theory point of view", Accounting, Auditing & Accountability Journal, Vol. 23 No. 2, pp. 149–174.

The first of the four articles, also the first in chronological order, focuses on analyzing the varying perceptions of the social aspects of corporate social responsibility in a case of organizational downsizing. This case, which led to hundreds of people being laid off, serves as a good example of a case where the interests of a company and its stakeholders are seriously in conflict. A large multinational company with roots in rural Finland has faced the global competition of customers and capital and has decided to reorganize its operations and close down factories in the less profitable areas. This decision is seen as desirable in the eyes of the management and it is favorable to shareholders too, who expect returns on their investment. The employees and local community, however, are faced with unemployment and the loss of an important taxpayer and a long-time partner. The case – in other words the perceptions of the stakeholders as well as the response from the company – is analyzed according to a theoretical framework consisting of stakeholder theory and legitimacy theory together with the concept of social contract. The theories are seen as overlapping and complementary, as stakeholder theory helps to identify the most important stakeholders, and legitimacy theory provides us with a framework to analyze the legitimacy gap between the expectations from ‘the society at large’.¹³

The empirical material used in the study mainly consists of mass media articles from the chosen newspapers and the company disclosures. The material also consisted of the annual reports, press releases and other disclosures by the company in question. The study used the methods of textual analysis to scrutinize and interpret the empirical data – meaning that the analysis had components of at least qualitative content analysis as well as discourse analysis methods to investigate and interpret the empirical material with the help of the theoretical framework.

The results of the study show that key stakeholders, especially employees and their representatives and the corporation itself, perceive social aspects of CSR very differently. The paper highlights that the economic dimension dominates the social aspect in the corporate representatives’ argumentation, whereas the employees rely on the discourse of ‘real’ responsibility – meaning participation in the decision-making processes, reliability of the promises and deals made with the management and general wellbeing. The paper also highlights the use of accounting information as a rhetorical tool to legitimize the downsizing actions rather than for purposes of accountability and transparent informative content. This kind of reliance on ambiguous words like ‘profitability’ and ‘efficiency’ is used by company representatives to justify the decisions taken,

¹³ In this case, the society at large can be seen as being one of the stakeholders, too, as the company in question had had a big influence on the Finnish society over the last decades, and the decision to close down a factory with a huge regional and national influence caused a massive debate throughout the whole country.

but their meanings often remain unclear to the audience. The study also shows the rhetorical (ideological) power of accounting language.

The paper contributes to the literature on CSR by investigating understandings of corporate social responsibility in a case where the economic and social responsibilities of a firm are publicly debated. The study also links the theoretical debate on corporate social responsibility to a context with a complex range of political and social factors affecting the construction of the social and economic responsibilities of a firm. More precisely, as part of the thesis, this paper forms the foundation for the analyses in the other articles: through this specific case the [political] and multifaceted role of corporations in our contemporary society and the perceptions and expectations various groups have of them are highlighted. It also provides a basis for analyzing different ideological standpoints that each imply a different perception of the role of business in society and of the role of companies in providing wellbeing to their stakeholders and society at large. Moreover, the article shows that the company disclosures as well as the actual procedures were insufficient in providing information about the social and financial performance of the company.

4.2 Article 2

Mäkelä, H. "Corporate social reporting in the Finnish forest sector – A political economy perspective". (On review)

The paper follows the interpretive design of the first paper and analyzes the CSR reporting of two large multinational companies. These two Scandinavian corporations from the forest sector provide an interesting basis for analyzing the development of CSR reporting. Firstly, they are an example of companies from energy intensive industries that are said to be leaders in CSR reporting (KPMG, 2011). Indeed, the companies have been active in voluntary CSR reporting. Secondly, the forest industry has had a huge national importance in Finland. Many of the rural cities have been born and developed due to forest companies and their procurement, and Finland has been described as "standing on wooden legs". However, due to globalization, the companies nowadays have foreign customers and foreign capital, and have decided to relocate a vast part of their operations to countries abroad. All this makes it interesting to analyze how the companies report their [changing] role in society to their stakeholders. Hence, the aim of Article 2 is to increase understanding of the conduct of corporate reporting by scrutinizing the communication about the roles and (social) responsibilities of these two forest sector companies of great national importance.

The paper analyzes the reporting of two Finnish forest sector companies, UPM and Stora Enso, during a nine-year period, wherein a major structural change in the industry was experienced. The paper analyzes and problematizes the language used in CSR reporting. A content analysis of the reports shows the 'rise and fall' of social reporting during the period 2000-2008, while

discourse analysis reveals a changing discourse and the increasing dominance of the economic reasoning toward the end of the period. This concurs with the increasing profitability pressures in the industry.

The paper has two major contributions: firstly, it sheds light on how CSR reporting has developed during its 'high season' (from the late 1990s to the present day) and hints on future practices of voluntary CSR reporting. Secondly, through the interpretive analysis from the perspective of the political economy of accounting it shows how companies 'play' with their responsibility rhetoric and create an implicit change from a traditional, historical Finnish company to a global multinational with global responsibilities. This shift from the use of social responsibility rhetoric and an emphasis on the role in Finnish rural communities to a dominance of financial responsibility and global responsibilities is not explicit, but the [underlying] changing discourse reflects the structural change of the industry. Furthermore, the study shows the power of accounting language in creating a particular way of seeing corporate performance. What is accounted for – in other words, what is included in the CSR reports and what is perhaps omitted – creates a particular way of seeing the organizational 'reality' and judging the corporate performance and, importantly, obscures other ways of seeing. For instance, corporate performance becomes evaluated predominantly by the economic calculations and not by environmental ones. Particularly, the disclosures report the structural change from the perspective of shareholders with underlying unitarist assumptions of shared benefits and the wider political implications are excluded from the reporting.

The study also contributes to the discussion about the growing need for more transparent reporting on the wider effects of corporate operations. Moreover, it adds further insights into the limitations of the current voluntary corporate social reporting practices through highlighting the lack of completeness and consistency in reporting social performance.

4.3 Article 3

Mäkelä, H. and Laine, M. (2011), "A CEO with many messages: Comparing the ideological representations provided by different corporate reports", Accounting Forum, Vol. 31 No. 4, pp. 217–231.

Articles 3 and 4 are more critical in nature. They build on the basis provided by Articles 1 and 2 and continue the debate over the implications of [voluntary] CSR reporting practices. As shown in the first two articles, voluntary CSR reporting lacks informative content in some areas [not denying its merits in developing an undeniably challenging area of reporting]. More importantly, CSR reporting may have wider societal implications, too. These two articles build on this notion of the wider socio-political impact of corporate social disclosure.

Article 3 analyzes how corporate reporting can be used to reinforce particular worldviews in the on-going discursive debate over sustainability (or CSR). In this article, the use of language is

compared in CEO letters from two types of disclosures: the annual and sustainability reports of two Finnish mining industry companies between 2000 and 2009. CEO letters have been chosen as the focus of scrutiny because they have been perceived as mirroring the overall corporate culture and values (Amernic *et al.*, 2010). It has also been said to be the most read part of the corporate report. The analysis is based on Thompson's (1990) schema regarding the modes of ideology and it analyzes how a particular way of seeing of corporate performance is created. The analysis identifies significant differences in the reporting; the CEO letters in the annual reports prominently use the economic discourse of growth and profitability, but the CEOs rely on the 'wellbeing' discourse in the sustainability reports. Despite the difference in discourse, by using different forms of ideological strategies, both types of disclosure can be seen to serve the dominant social paradigm.

The study also builds on and reports findings that are similar to those reported in earlier studies (see e.g. Livesey and Kearins, 2002). Through the rhetoric of responsibility and care, the reports paint a picture of companies taking care of the wellbeing of society. Simultaneously, through incomplete reporting and an emphasis on positive events and responsibility, the reporting silences some of the negative aspects of corporate performance. Particularly, the reporting serves to reinforce and renew the dominant social paradigm (Milne *et al.*, 2009) in line with neoliberal ideology.

4.4 Article 4

Mäkelä, H. "On the ideological role of employee reporting," *Critical Perspectives on Accounting*, DOI 10.1016/j.cpa.2012.11.004.

This article also explicitly discusses the concept of ideology in the context of corporate disclosure. It broadens the view illustrated in Article 3 by focusing on a different, specific part of corporate social responsibility; that of employees. Employees, in other words human beings, are arguably an – if not the most – important part and stakeholder to be considered when discussing corporate social responsibility, and are worthy of particular scrutiny.

Hence, Article 4 analyzes narrative employee reporting and problematizes the corporate talk about employees. Annual and CSR reports of the 25 biggest Finnish companies from the year 2008 are investigated, analyzing the CEO letters and the special sections addressing employee-related issues. The research methodology is similar to that of Article 3 as the study employs the ideological strategies as categorized by Eagleton (1991/2007) (see also Thompson, 1990). From this perspective, the study analyzes the ideologies underlying employee reporting.

The analysis shows that corporate disclosure, though relatively developed in some areas, still paints a partial picture of people within companies. Despite the alleged emancipatory aims of social accounting (Gray, 2002; Spence, 2007), employees are presented in a fairly narrow, technoeconomic manner; not as complex, individual human beings possessing a variety of needs and

qualities [or even faults]. The corporate talk portrays companies as strong, continuously developing organizations on a journey in the ‘right direction’. Accordingly, people are being presented as efficiently and rationally aiming at personal growth and development, of [only] instrumental value to companies.

Importantly, the study also makes visible how the corporate talk about employees presents the relationship between companies and labor according to the unitarist perception (Brown, 2000). Business and labor are stated implicitly, but also explicitly, to have shared purposes and any possible conflict in interests is silenced. Furthermore, the rhetoric used by the companies follows the neoliberal ideology on the need for economic growth that is equally beneficial to all stakeholders and all members of society. Particularly, with the use of the Eagleton schema (1991/2007), the corporate talk works to naturalize and universalize this ideological claim and hence hide its contingent nature.

The study adds to an increasing body of accounting literature using interpretive and critical approaches in analyzing corporate disclosures, studying a less developed area of narrative employee reporting. The paper, like the previous three, also highlights some limitations in current voluntary corporate social reporting practices and discusses the possible advantages of allowing multiple voices in social disclosure.

5 CONTRIBUTIONS

The aim of this doctoral thesis was threefold. Overall, it aimed at deepening our understanding of corporate social responsibilities. Three different, yet complementary perspectives were chosen to answer the research question. Firstly, the study aimed at analyzing the corporate social responsibility reporting of large multinational corporations. Secondly, it aimed at reconstructing the meanings of social responsibilities in corporate talk. And thirdly, through the concept of ideology, this thesis focused on problematizing the corporate talk about CSR within the larger societal context. In this final section, the results and contributions of this study are summarized and discussed in the light of prior literature.

Figure 1 aims at highlighting how each of the individual articles contributes to the ‘bigger picture’ – to the aim of deepening our understanding of corporate social responsibilities.

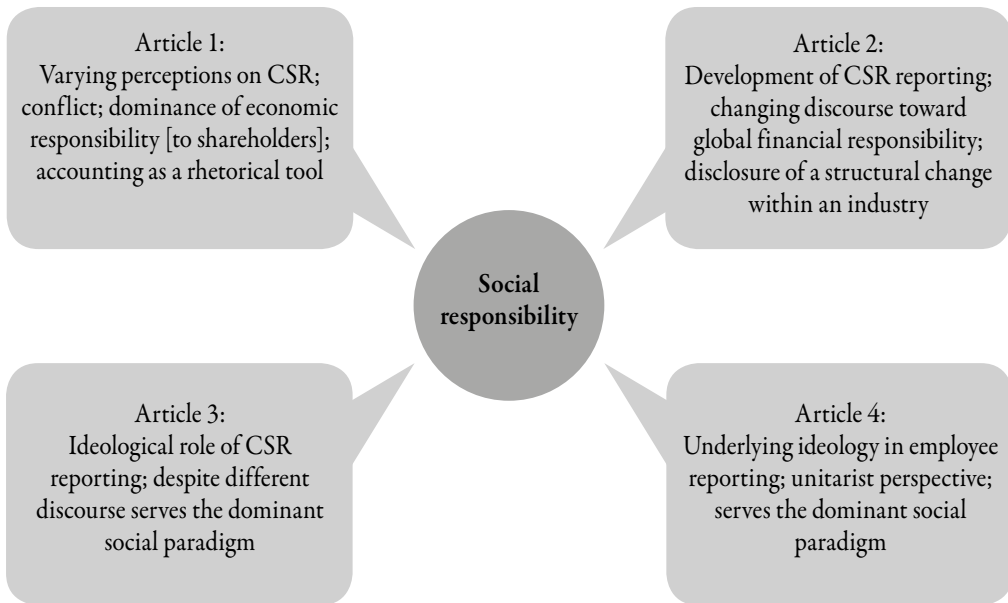


Figure 1 Contribution of each of the articles

Article 1 contributes to this thesis by making visible how the interests of a company and its stakeholders – mainly employees and the local community – are in conflict. By carefully examining the perceptions of the company and its stakeholders in a case of massive downsizing, the article shows the varying expectations of the social responsibility of the company. Despite the alleged unitarist assumptions of shared benefits, the perceptions of the stakeholders do differ from those of the company and its shareholders and an outright conflict exists. Furthermore, the article shows how the economic responsibility of the company [toward its shareholders] is prioritized and legitimized with the use of accounting language. Terms like ‘profitability’ and ‘efficiency’ are regularly used to justify the downsizing decision without much explanation or informative content.

Article 2 studies the CSR reporting of two Finnish forest sector companies during a period of large-scale structural change within the industry. During this period, it was realized that the main markets of forest sector products are outside Europe, as well as the cheapest production costs. Production facilities have now been relocated to Asia and Latin America, for instance, and factories in Finland have been closed down. The study particularly focuses on analyzing how this change is communicated to stakeholders (through corporate reporting) and what kind of responsibility issues are seen as important during this massive change. Both the contents in the reports as well as the language use are being scrutinized. The study shows how CSR reporting develops during this period and how the amount of social responsibility issues covered in the

reporting varies. To sum up, it can be said that within the CSR reporting, this structural change is discussed implicitly without much reference to the actual impact on stakeholders. At the end of this period, the CSR reporting of these companies reflects a global company with global economic responsibilities. The article shows how, by including particular issues and omitting others, accounting can serve to produce a particular way of seeing the corporate performance, and, simultaneously, how other ways of seeing are obscured.

Articles 3 and 4 discuss corporate reporting in the light of ideology theory. It is noted that CSR reporting in some areas is fairly developed and shows positive improvement, and the companies should accurately be merited for this. However, as the first two articles show, the CSR reporting is still incomplete and fails to answer the call for more transparent and informative reporting (Gray, 2002; Spence, 2007; Unerman *et al.*, 2007). This has both micro and macro level implications; the first ones being that stakeholders are not able to judge the corporate performance due to the lack of transparent and complete reporting. The second ones refer to the socially constructed nature of our lifeworld and to the ideological role of CSR accounting and reporting. Articles 3 and 4 focus on the broader implications of CSR reporting and analyze the ideological strategies (Thompson, 1990; Eagleton, 1991/2007) used in CSR reporting. It is argued in the articles that despite the bold CSR statements and rhetoric of responsibility and wellbeing of employees, the reports serve as reinforcing the dominant social paradigm (see Milne *et al.*, 2009) and unitarist assumptions of mutual interests and the benefits of all stakeholders.

After briefly summarizing the contribution of each of the articles of this thesis, the contribution of the thesis as a whole is now discussed.

5.1 *Practical contributions*

One of the key contributions of this thesis was to analyze the contents and development of corporate social responsibility reporting during the last ten or more years. This was also the period of time when the current form of CSR reporting started to develop. As we know, corporate social reports have been published earlier, too, particularly in the 1970s. However, CSR reporting was not able to establish a permanent position in the corporate reporting practice and during the 1980s and 1990s there was barely any talk, or practice, in the [broader] field of CSR. However, in the 1990s, growing pressure toward environmental issues started to encourage companies to take part in environmental reporting. At the beginning of the 21st century, Finnish companies first published corporate social responsibility reports that focused not only on environmental issues, but also on social responsibility more broadly. As this thesis demonstrated, during the beginning of this period, companies were investing in CSR reporting and the reports were vast, fairly comprehensive and included contemplation on the essence of corporate social responsibilities. The companies were also encouraged to develop their reporting by institutions like the European

Union, with the help from reporting guidelines like the GRI¹⁴ and AccountAbility. Finally, toward the end of the period, many of the companies switched to reporting more and more on the Internet, and also started to publish the so-called integrated reports of social, environmental and economic performance. There was also institutional pressure for this, as for instance the GRI guidelines named this as one of their main targets, and the International Integrated Reporting Committee (IIRC) was formed by the GRI and the Prince's Accounting for Sustainability Project in 2010.

It must be acknowledged that CSR reporting has shown a great deal of development and the number of companies reporting has steadily increased (KPMG, 2005, 2008, 2011). This area or reporting is indisputably challenging and the corporations should and have¹⁵ been acknowledged for their efforts and for taking the initiative. However, despite large-scale corporate investments on CSR disclosure, the practice is still being criticized for its limitations (e.g. Bebbington and Gray, 2001; Adams, 2004; Adams and McNicholas, 2007; Roslender and Stevenson, 2009; Laine, 2009). The study at hand, too, showed that during the whole period under scrutiny, CSR reporting showed a lack of consistency; the CSR issues reported in one year could not be found in the next year's report, making it impossible to analyze the corporate social performance over a longer period of time. It also made it difficult to follow up the issues and targets reported in earlier years. This kind of highlighting of certain issues at certain times also makes one wonder whether the company just wants to 'show off' or perhaps even hide some other, more negative issues (see also Johansen, 2010). So, it is maintained that this kind of inconsistency in the contents of the reports has negative effects, too.

In addition to the inconsistency in the issues reported from year to year, the reporting also showed severe incompleteness in the issues reported. Many of the negative issues are omitted from the reporting, among the most topical and serious ones being issues related to restructurings and laying-off employees. The lay-offs were seldom reported to have any negative effects on anyone, and they were never calculated precisely. The 'real' consequences of redundancy or any conflict in interest were omitted. It should be noted here that redundancy-related costs, if not included in the corporate accounts, as well as the broader impacts of restructurings are externalities that are left for society to bear. Furthermore, one of the most serious issues omitted in the corporate reporting studied in this thesis was related to the wellbeing of employees. Wellbeing was being discussed in a very narrow, technic-rationalistic manner with barely any references to the mental wellbeing of employees. This is alarming, as the news simultaneously shows evidence that work life is stressful and that the uncertainty caused by restructurings and lay-offs is seriously harmful to the mental wellbeing of employees (Barsky *et al.*, 1999; Ferrie *et al.*, 2008; see also Articles 3 and 4 in this thesis).

¹⁴ However, see Moneva *et al.*, 2006.

¹⁵ There are many indexes and awards for socially and environmentally responsible or sustainable corporate performance, one of the most well-known of them being the Dow Jones Sustainability Index.

CSR reporting practice can – and as is argued here – should be discussed in the light of the quality requirements for financial reporting in general. General principles for the quality of accounting information, required by almost all of the global (and national) accounting standards like GAAP, IFRS and also by the GRI4 (and presented already in 1975 in *The Corporate Report*) include accounting principles of relevance, timeliness, reliability, consistency and comparability. In the area of CSR reporting, some of these requirements for the information quality are more often and easily fulfilled, like the ones of relevance and timeliness. Then again, comparability of information may be difficult to guarantee. Comparability of information between different companies and different financial years is the aim of CSR reporting standards like the GRI. However, as the indicators are sometimes complicated to calculate and it always involves individual human consideration, one may question the actual comparability of the reports. All in all, it is maintained here that CSR reporting should be evaluated with the same criteria as financial reporting and whether it gives a true and a fair view of the corporate [social] performance should be questioned.¹⁶

Furthermore, as discussed earlier in the articles, the thesis also highlights the rhetorical power of accounting language. Accounting is a language of expertise; a particular profession with a particular language that only accountants speak and understand. As financial profitability has become the main criteria to evaluate social investments, for instance, the figures provided by the accountants play a key role when making decisions related to both the private and public sector performance. However, not all people can understand the specific financial terminology and the contents of financial reports. Words like ‘profitability’ and ‘efficiency’ are used to legitimize corporate and public investments and divestments. Moreover, typically in the private sector no actual accounting figures are given out to the public with the reasoning that it would harm the competitiveness of the company. It follows then that stakeholders and society at large are unable to (accurately) evaluate corporate performance and its impacts, as they are not capable of understanding the accounting figures nor are they provided with accurate or sufficient information for such evaluations. As Article 1 in this thesis showed, it is usual that the accounting terminology is used without much informative content; hence, the public is unable to criticize this kind of action.

Article 2 studied the development of CSR reporting within one industry. As there is no legislation in Finland that would require CSR reporting, the companies are given full (?) freedom to choose over the issues and forms of reporting, and the development of reporting is mainly in the hands of the companies themselves.¹⁷ This thesis showed (and see e.g. Adams, 2004 on the reporting-performance portrayal gap) how the current voluntary practice of CSR reporting is unable to provide a comprehensive disclosure of the corporate social performance, as the

¹⁶ See also the discussion on the concept of fairness in Williams (1987).

¹⁷ Naturally, there are many kinds of pressures for reporting from inside and outside the company (see e.g. Deegan, 2002; Larrinaga, 2007; Laine, 2009).

companies are likely to disclose information beneficial for themselves. Moreover, accounting, through its ideological role, has the ability to create and re-shape the 'corporate reality' by giving "certain signifiers an authoritative position in terms of helping us to understand the world, and at the same time, to silently exclude other ways of understanding the world" (Cooper, 1995, p. 176). The study also highlighted the rhetorical power of accounting in providing us with specific lenses, the economic ones, to evaluate corporate performance and, simultaneously excluding other ways of seeing. This will be discussed in more detail in the next section.

5.2 *Theoretical contributions*

This thesis aimed at contributing to the field of accounting studies by analyzing corporate social disclosure from a broader societal perspective. This section of the thesis discusses the theoretical contribution of the study from this wider perspective. It recapitulates the ideological nature of CSR disclosure and then moves on to discuss the potential and possible advantages of enabling multiple voices in corporate reporting and, in connection with that, possibilities for accounting to adopt perspectives other than a unitarist perspective.

Two of the articles in this thesis analyzed corporate disclosure through the lenses of ideology. As reviewed earlier, also among accounting studies there are many interpretations of the concept of ideology and they all have their nuances and are grounded in (slightly) different theoretical roots. However, what they all have in common is that they view accounting as being, or having the potential of being ideological. In this sense, ideology is based on winning the consent of the 'masses' and is linked to the unitarist perspectives – it presents accounting as serving shared unitarist purposes. Furthermore, all these studies share at least one thing in common in their view about the concept of ideology; it has a naturalizing tendency in hiding the contingency and making things appear as natural, eternal, commonsense and taken-for-granted. Ideology – or ideological strategies (see Thompson, 1990; Eagleton, 1991/2007) – hides the socio-historical genealogy of accounting and makes accounting and its calculations look as if it provided 'The Truth' about corporate performance. Furthermore, this kind of tendency also omits and closes off other ways of seeing the corporation and hence creates a partial picture of the corporate performance and its impact on society. In other words, it obscures other, perhaps oppositional worldviews. Accounting language and calculations that abstract numbers from their social context and exclude certain environmental or human-related issues (and hence treat them as externalities) create an illusion of a neutral, value-free discipline that supports the unitarist notion of mutual interests between all corporate stakeholders and silences any conflict between them. By not providing a complete picture of the corporate performance, this kind of 'lazy argumentation' denies any real dialogue between the company and its different stakeholders or any possibility for a debate about the 'real' consequences of business in our contemporary society. This is the ideological role of CSR reporting, and it is by this ideological nature that accounting and corporate social disclosure can

be seen to be sustaining the status quo, the hegemonic dominant social paradigm (see also Milne *et al.*, 2009; Spence, 2009; and Articles 3 and 4 in this thesis).

It is also maintained here that the economic and financial means have become accepted as the main indicators for judging the performance of private (and even public) sector organizations by establishing 'the one and only' language with which to value corporate performance and by "setting economic norms or standards of efficiency, in seeking to define the ways in which economic surplus is to be calculated, in attempting to transform the way in which managers should calculate the future, and in providing ways of thinking and acting upon activities in terms of their costliness" (Harte and Owen, 1987; Miller and Napier, 1993, p. 645).

As mentioned, corporate social disclosure is not just about corporations but serves wider purposes, too. Based on the ideas of ideology and social constructionism, it is maintained that our knowledge and understandings about the world around us are socially constructed. We act upon these perceptions and we reinforce them in our everyday lives based on our commonsense knowledge (Gramsci, 1971). As stated by Hall (1983, p. 39), discourses situate us as social actors, and this has effects that are real, "since how we act in certain situations depends on what our definitions of the situations are". In other words, our perceptions of the present also affect the way we shape the future. For instance, if we uncritically accept and propagate the understanding [found from the corporate disclosure] of employees (human beings) as efficient, rational, capable and individualistic, this view becomes reinforced, and, simultaneously, other ways of seeing human beings are omitted and obscured. Furthermore, this is the understanding we then act upon, for instance when making decisions about the extent and distribution of social services provided by the State. To quote Arrington and Francis (1993, p. 122):

[...] we would view the economic account as a discursive medium through which humans come to understand the moral-economic dimensions of their lives and thus come to understand something about the meaning of their lives, their "selves". These accounts take many forms depending upon who the participants in economic accounting are, what language they speak, what values, beliefs, and desires guide their thoughts and actions, and the particular histories, economies, and societies that constitute them as humans, as selves with particular identities.

If this is the case, then what is there to do? There is a long history of debate about the possibilities for accounting to adopt perspectives other than the unitarist perspective (Tinker *et al.*, 1982; Hopwood, 1987; Tinker, 1988; Arrington and Puxty, 1991; Arrington and Francis, 1993; Shearer and Arrington, 1993; Cooper, 1995; Brown, 2000; Arrington and Watkins, 2002; Walters, 2004; Boyce, 2009; Spence *et al.*, 2010; Spence and Carter, 2011). Whether and how the traditional means of financial accounting, or accounting at all, can contribute to the 'real' social accounting with emancipatory aims is also being debated. Gray (1998, 2002) has argued that new imaginings of new accountings are required because conventional accounting supports the undemocratic hegemony of the status quo and is therefore predicated on ensuring that

democracy does not work (in Boyce, 2009, p. 90). However, Gray himself, too, has been criticized for supporting the 'middle way' that is not sufficient to make an adequate change (see e.g. Everett and Neu, 2000). Cooper (1995, p. 176) is being highly suspicious by stating that "there is probably only the remotest possibility that accounting could have a revolutionary potential". Spence (2009, p. 214) discusses this potential in further detail and points to the restrictive role of our material conditions: "any superstructural element (e.g. accounting) that is enacted through the corporation will be primarily tied to that base".

There are many initiatives in the history for 'alternative accountings', for instance by Harte and Owen (1987), Tinker (1980), Preston (1981), and Cooper and Sherer (1984) in experimenting with alternative accounting calculations; Bebbington (1997), Gray *et al.* (1997), and Thomson and Bebbington (2005) in stakeholder engagement; Gray (2001), Dey (2003), and O'Dwyer (2005) in developing silent and shadow accounts; Unerman and Bennett (2004) with the use of the Internet, to name but a few. As another example, the possibility of 'letting other voices in' has recently gained some popularity in the field of alternative accounting studies. One example of this is the idea of 'self-accounting' by employees with an underlying emancipatory philosophy (Roslender and Stevenson, 2009; Roslender *et al.*, 2006; Dillard and Roslender, 2011). Employee self-accounting is based on the ideas of pluralism with an explicit rejection of the unitarist assumptions; within this view conflict is seen as inevitable and based on genuinely different interests (Brown, 2000). To apply this view to business organization would mean that "firms are viewed as coalitions of groups with diverse and at times conflicting interests and values" [and that different] "parties have incentives to cooperate and incentives to compete" (Brown, 2000, p. 51). In other words, employee self-accounting is designed to enable rather than control employees (Roslender and Stevenson, 2009; Roslender *et al.*, 2006) in enabling the 'assets' to speak for themselves. Hence, self-accounting is based on the needs of people themselves rather than on financial reporting.

The danger of employee self-accounting is that the employees could enter a discourse that is essentially managerial in its rationale (Ogden and Bougen, 1985, p. 222). Spence and Carter also maintain (2011, p. 314) that "the more labor engages with accounting, the more and more they give away and become subject to rational economic calculation." Furthermore, exposing employees to this kind of allegedly egalitarian project would actually mean to "disqualify from the disclosure debate the [relevant] political, social, and behavioral factors" (Ogden and Bougen, 1985, p. 217). Thus, skepticism remains about whether pluralism can be achieved within the current capitalistic market economy, or whether it is only enlightened managerialism even at its best (Ogden and Bougen, 1985, p. 217). Then again, there are many who see potential in the notion of agonistic democracy (see Laclau and Mouffe, 1985; Glynos and Howarth, 2007; Howarth, 2009; Brown, 2009). The potential of this field of study is discussed in more detail in Article 4.

The study at hand focused on analyzing the corporate social disclosure. The reconstruction of the corporate talk about social responsibilities revealed that the corporations view their

responsibilities based on the unitarist assumptions of the company and its shareholders as well as other stakeholders. The particular interests [of continuous growth and economic efficiency] of the shareholders became rationalized and naturalized as global interests. This thesis aimed at offering interpretations of this corporate talk; making evident the ideological nature of a particular area of it, the corporate social disclosure. Drawing on Thompson (1990), this thesis builds on the “critical potential of interpretations” and insists that “to a limited degree, we can change our social reality by changing our discourses” (Everett and Neu, 2000, p. 23). Interests are not given but have to be ideologically constructed (Hall, 1983), leaving some potential for opening up new ways of seeing. As stated by Everett and Neu (2000, p. 23), “discourse with transformative potential provides space for social actors interested in change”. And, quoting Burchell *et al.* (1980, p. 5), “what is accounted for can shape organizational participants’ views of what is important”. Hence, accounting discourse can influence and serve counter-hegemonic interests on many levels (see also Arrington and Francis, 1993; Neimark, 1994; Cooper, 1995; Brown, 2009 on these potentials) by informing society at large of the various implications of corporate performance.

However, it is stressed that the paper remains suspicious of the post-structuralist understanding of radical contingency (Laclau and Muffe, 1985; Glynos and Howarth, 2009) and refers to the limitations of our ‘material conditions’. In other words, it is seen as only remotely possible that any fundamental change (caused by social accounting) is likely to happen within the present conditions. Then again, this study does not deny the potential of social accounting when applied, for instance, in the area of social enterprises or cooperatives that aim at maximizing the wellbeing of society in general rather than one group only, and therefore are perhaps not exposed to the logic of the capitalist market society. There could be a huge potential for contribution in developing social accounting within this kind of context.

Finally, this study still shares the concerns of Spence and Carter (2011, p. 307) who argue that there is a danger that a project of employee self-accounting, for instance, where employees would more or less need to adopt the managerialistic, financial concepts to describe their own behavior – human behavior – might be understood as an egalitarian project, rather than the colonization of hitherto untapped areas of social life. And this, as we know, would be the ultimate workings of ideology.

5.3 *Limitations of the study*

The research is based on a detailed analysis of a specific context, and this may limit the wider applicability of the findings. The empirical material used in this thesis consists of reporting and other material collected about Finnish companies. Dealing with one, rather small and remote country only (together with the chosen research methods) the results of this study could be seen to have limited value outside the Finnish context. However, the research design used does not aim at generalizable results as such. Instead, it is maintained that the results of this thesis enhance our

understanding in a more general way, too. The thesis deals with global phenomena of corporate social responsibility, the wellbeing of people and societies and the politics surrounding these issues. More particularly, the companies studied are all large multinational, publicly listed corporations with global capital, production facilities, workforce and markets. In addition, the context of a developed country increasingly adapting politics that favor economic growth in a capitalist market economy is very familiar in the Western world. Hence, the results of this study add insights into a societal phenomenon that touches billions of people in one way or another. Even with material from only one specific country, the results are believed to bear global importance.

Indeed, it would be naïve not to see the broader socio-political context of this study and to consider the findings as only applicable to the context of the particular companies in question. Rather, the companies could and should be seen as ‘any companies’, in the sense that the main focus and contribution of this study is the phenomenon and practice of corporate social responsibility reporting. Despite the apparent limitations in the CSR reporting of these particular companies, they should however be somewhat merited for ‘taking the lead’ in this challenging area.

Obviously, the [critical] interpretations presented in this study are all based on material that is publicly available for anyone to see. A special focus has been on the principle of intersubjectivity and on making all interpretations and conclusions logical and traceable. And finally, the double-blind peer review process of the accounting journals where the articles have been published guarantees the quality of the research.

Inevitably, this kind of research design is exposed to a relatively high degree of subjectivity. It is implicit in a study like this that the findings and discussion are the author’s own interpretations of the situation, based on her experience as a researcher and her background assumptions. Another kind of story could be told, as well. However, it is indeed the nature of this kind of research setting to open up the situation for different interpretations and ways of seeing. Corporate disclosure tends to present the situation as taken-for-granted and ‘commonsense’. However, the social constructive nature of our lifeworld and knowledge about it makes it important to offer interpretations and to make visible these kinds of taken-for-granted assumptions, in other words, to highlight and make visible the workings of ideology. In this way, other kinds of interpretations and actions based on these ‘alternative’ interpretations are made possible.

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ORIGINAL PUBLICATIONS

Social responsibilities of MNCs in downsizing operations

– A Finnish forest sector case analysed from the stakeholder, social contract and legitimacy theory point of view

A reprint of an article previously published in
Accounting, Auditing and Accountability Journal

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Reference to the original publication: Reprinted from Mäkelä, H. and Näsi, S. (2010). "Social responsibilities of MNCs in downsizing operations – A Finnish forest sector case analysed from the stakeholder, social contract and legitimacy theory point of view". *Accounting, Auditing & Accountability Journal*, Vol. 23 No. 2, pp. 149–174. © Emerald Group Publishing Limited

Acknowledgements: The authors are grateful for the constructive comments and help provided on earlier versions of the paper by Editor Lee Parker, three anonymous reviewers, Matias Laine, Russell Craig and the participants at the parallel sessions of the 30th EAA Annual Congress in Lisbon, April 2007; at the 19th NFF Conference in Bergen, August 2007 and the workshop participants at the Annual Conference of the Westermarck Society (The Finnish Sociological Association) in Rovaniemi, March 2008. The help of Virginia Mattila with the English language is gratefully acknowledged. This research is a part of the RESPMAN research project, funded by the Liike2 Research Programme of the Academy of Finland and The Finnish Work Environment Fund. The authors also acknowledge the financial support provided by the Finnish Foundation of Economic Education (Liikesivistysrahasto).

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Social responsibilities of MNCs in downsizing operations – A Finnish forest sector case analysed from the stakeholder, social contract and legitimacy theory point of view

Abstract

Purpose – This paper aims to contribute to the understanding of the social aspects of corporate social responsibility (CSR) by studying a case of organizational downsizing. **Design/methodology/approach** – The paper uses a theoretical framework consisting of stakeholder theory and legitimacy theory together with the concept of social contract. Textual analysis methods are used to analyse and interpret the empirical data, which consist of mass media articles.

Findings – The main finding is that key stakeholders, especially employees and their representatives and the multinational corporation (MNC) itself perceive social aspects of CSR differently. The economic dimension dominates the social aspect in the corporate representatives' argumentation. Accounting information is used as a rhetorical tool to legitimise the downsizing actions rather than for purposes of accountability and transparent informative content.

Research limitations/implications – The research is based on a detailed analysis of a specific context. This may limit the wider applicability of the findings. Even so, it adds insights to the academic literature on the varying conceptions of the social responsibilities of corporations, perceived not only by the firm itself, but also by different stakeholders.

Originality/value – The paper contributes to the literature on CSR by investigating understandings of corporate social responsibility in a case where the economic and social responsibilities of a firm are publicly debated. The study also links the theoretical debate on corporate social responsibility to a context with a complex range of political and social factors affecting the construction of the social and economic responsibilities of a firm.

Keywords – Corporate social responsibility, Multinational companies, Downsizing, Accounting information, Finland

INTRODUCTION

The general spread of globalisation has opened up new markets and has increased competition in old markets for most MNCs in various industry sectors. It has also enabled global businesses to close facilities in one country and open up new facilities in another, as part of the corporations' globalization strategies (Lehman, 1999). The term "organizational downsizing" is used to describe firms' adjustment to global competition and technological innovations by eliminating jobs and production lines and closing down whole facilities (Barsky *et al.*, 1999).

Traditionally the forest industry has played a significant role in the Finnish national economy. In many regions the forest sector has been the biggest employer and source of economic wealth. Many towns and villages have sprung up around wood processing plants, and the factory and community around it have often co-existed for decades and even longer.

The downsizing consequences of globalisation typically affect Western industrial countries, such as Finland. Traditional industries, such as the forest industry, and newer industries such as IT, are relocating from Western countries to continents and countries where the industry in question has more potential to grow profitably. Organisational downsizing and restructuring operations are said to be undertaken in order to be closer to the customer markets or to obtain cheaper resources, usually workforce and/or raw materials, in the receiving country.

The ultimate objectives of the corporations are to be more efficient and to generate more profit and value for shareholders. From the wider stakeholder perspective, downsizing has different impacts on different interest groups (see Mathews, 2000). To employees and to the local community of a large paper factory, for example, a downsizing decision usually means a loss that can be difficult to sustain. At least it takes some time to adjust to the changes by finding new employers in the region, finding a use for the empty factory buildings and creating new jobs for redundant workers.

If the recovery operations are unsuccessful, the cumulative effects of downsizing may be dire including for employees, town and region. People have to seek jobs elsewhere; they are compelled to relocate with their families and sell their houses (often at a loss). The number of children in a region decreases, causing the closure of some schools; the number of customers decreases, likely resulting in unprofitability and subsequent closure of shops, restaurants, public transportation and other services. From the perspective of the local municipality it is also a question of taxes, both corporate and individual income tax. However, recent profitability improvement programmes and lays-offs in many Finnish forest sector companies will cause irreversible impacts on traditional forest industry towns and people.

Downsizing operations, with their negative impacts on society, partly account for the (re)arrival on the societal agenda of the concept of corporate social responsibility (CSR). Whether, and to what extent, corporations should be responsible to society for the consequences of the lay-offs has been debated repeatedly, especially in Western Europe. Though widely discussed both

in theory and practice, CSR still seems an ambiguous concept and no common understanding or consensus on CSR (for example in downsizing operations) seems to exist. This applies particularly to the social dimension of CSR, which is a very context-related issue (Matten and Moon, 2008). Although a considerable amount of research has been devoted already to social and environmental accounting (see Bebbington *et al.*, 2008; Gray, 2001, 2002; Gray *et al.*, 1995; Mathews, 1997; O'Dwyer, 2003; Owen, 2008; Parker, 2005) very little attention has been paid to the social dimension of CSR in the accounting literature.

RESEARCH QUESTIONS, EMPIRICAL DATA AND RESEARCH METHODS

Using stakeholder theory and the concepts of social contract and legitimacy as its theoretical basis, this paper analyses the closure of a forest industry production unit in a small town in Finland. Through this case study our intention is to increase understanding of how social responsibility is conceived and augmented by global corporations themselves and by their stakeholders (workers, the local community and society in a wider sense). We are interested particularly in how social responsibility is manifested in the argumentation evinced by the corporation in relation to economic responsibility; and further, to what extent accounting information is used to justify the decisions taken.

Our empirical data consist of two kinds of written material collected from newspapers and company disclosures. We have analysed articles from selected newspapers voicing arguments either from the company's or from its stakeholders' point of view concerning the corporation's profitability programme and the case paper mill's massive downsizing operations in Finland in 2006. Newspaper articles were chosen as the main dataset for two reasons. First, the case corporation's profitability programme was announced originally in a press release, and it was debated subsequently on a daily basis in the mass media, including local and national newspapers. Second, in newspapers the voices of different stakeholders were heard. We acknowledge the fact that the media are not necessarily equally interested in publishing different stakeholders' messages and endeavour to minimise the effect of this by collecting data from a variety of newspapers; from the most important national newspaper in the country, *Helsingin Sanomat* (HS), from a local newspaper, *Kouvola Sanomat* (KS), from a daily business and financial newspaper, *Kauppalehti* (KL) and from a weekly business and financial magazine, *Talouselämä* (TE). Nevertheless, we are mindful of the dual role of media in mediating and shaping information (Ader, 1995; Brown and Deegan, 1998; McCombs and Shaw, 1972) and we are cautious in analysing the data.

Most of our mass media data are from the time period when the profitability programme was released and announcements about downsizing decisions, and operations were made by the corporation, i.e. Spring 2006. The public debate before and after the decisions was investigated

also to ensure that no significant information was ignored. Our data consist of about 700 newspaper articles.

Included in our empirical data are disclosures by the case corporation including its press releases, annual reports, interim reports and standalone CSR or sustainability reports from the years 2005–2007. These documents are considered to represent official and carefully considered corporate talk – especially as the company in question is a listed company with high a criteria for publicity.

Analyses and interpretations are made using textual analysis methods. Qualitative content analysis and critical discourse analysis are appropriate terms to describe our ways of handling the data (Bryman and Bell, 2007). Our method is also referred to as interpretive textual analysis, following other studies using similar kinds of analyses and interpretation (Laine, 2005; Tregidga and Milne, 2006).

Analysis of the empirical data was an iterative process. The data were scrutinised by both authors several times. In the first round, the media data were read through in order to form a general picture and to identify the most important issues and key stakeholders. In the second reading, the focus was on the discussions surrounding the closure of the case paper mill and its effects on the most important stakeholders; the employees and the local community (Harte and Owen, 1987; Barsky *et al.*, 1999). The discussions were collected in a chart, chronologically and by source media. This chart was then used as a basis for a more detailed analysis of the texts in the third reading. In the additional reading rounds, the focus was on the reasoning, argumentation (Kakkuri-Knuuttila, 1998, Kakkuri-Knuuttila and Heinilahti, 2006; Perelman, 1982) and rhetoric (Bryman and Bell, 2007; Jokinen *et al.*, 1999; Kakkuri-Knuuttila, 1998, Kakkuri-Knuuttila and Heinilahti, 2006) used by the representatives of the corporation and the paper mill, and by the stakeholders. Later all the articles were read through once more to ensure that nothing important was omitted and that the analysis also seemed reasoned vis à vis the empirical material in its entirety. In total, the empirical material was read through numerous times.

The paper proceeds as follows. The next section describes the theoretical standpoint of this study. It is followed by a description of our case company and its downsizing operations in 2006. The following section seeks answers to our research questions concerning social responsibilities of MNC's and analyses and interprets the empirical data. The last chapter presents conclusions and discussions.

STAKEHOLDERS, SOCIAL CONTRACT, AND LEGITIMACY – THEORETICAL STANDPOINTS FROM POLITICAL ECONOMY FOR STUDYING CORPORATIONS' SOCIAL RESPONSIBILITIES

This paper makes use of three theories or theoretical concepts: stakeholder theory and the concepts of social contract and legitimacy. Stakeholder theory helped us to identify the most important stakeholders in our empirical case of downsizing: the employees, the local community and Finnish society as a whole. In the previous studies the local community and the employees have also been acknowledged as stakeholders most affected in the case of downsizings (Barsky *et al.*, 1999; Harte and Owen, 1987). Stakeholder theory, like the two other theoretical considerations – the concepts of social contract and legitimacy – leans on the insights of the systems-oriented view of society as a whole. It is assumed in the systems-oriented view that an entity is influenced by, but also has influence over, the society in which it operates (Deegan, 2002; Gray *et al.*, 1995, 1996). Therefore it is important to study corporations in their “social, political, and economic framework, within which human life takes place” i.e. from the perspective of the theory of political economy (Gray *et al.*, 1996, p. 47).

A fundamental idea of political economy theory is that society, politics and economics are inseparable and economic issues cannot be investigated meaningfully without considering the political, social and institutional frameworks in which economic activities take place. An essential feature of political economy theory (see Benson, 1975) is to recognise explicitly “the power conflicts that exist within society and the various struggles that occur between various groups within society” (Deegan, 2002, p. 292). In factory downsizing and shutdown decisions, power struggles occur between corporations and stakeholders[1]. The corporation is usually more powerful to make its own decisions, despite the wishes or demands of its internal and external stakeholders (Lehman, 1999; Näsi, 1979, 1995; Unerman and Bennet, 2004), such as employees and the local community.

The social contract concept is used to explain the relationship between society and business (Shocker and Sethi, 1973). Mathews (1993, p. 26), for example, explains the idea of social contract as follows:

[...] the social contract would exist between corporations and individual members of the society. Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. The corporation has no inherent rights to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to society.

The social contract concept has also been used in the framework of the social responsibility of organizations. Gray *et al.* (1996) outline seven different ways in which different groups in society

might perceive the nature of companies' social responsibility. First are "pristine capitalists who see liberal economic democracy as a good approximation how the world works and also as the way in which the world should work". The second group has an expedient point of view that considers that "long-term economic welfare and stability can only be achieved by the acceptance of certain (usually minimal) wider social responsibilities". The third group are proponents of the social contract, who "tend to consider that companies exist at society's will and therefore are beholden (to some degree) to society's wishes, but on the other hand this group might have very severe doubts about the extent of the responsibilities of companies". The remaining four groups are described as social ecologists, socialists, radical feminists and deep ecologists (for more detail see Gray *et al.*, 1996). As the latter four groups could be seen more against the background of the neoliberal thinking and neo-classical economics and business activities that are nowadays so decisive, business enterprises in Western countries might be placed on a continuum, with pristine capitalists and proponents of the social contract at its extremities.

The concept of a social contract is also linked to legitimacy theory (Deegan, 2002; Deegan *et al.*, 2000)[2]. As stated previously, companies and other organisations exist at society's will and are beholden to some degree to society's wishes. Legitimacy is then accomplished if society perceives the company to be operating in accordance with the prevailing norms[3] and values. However, legitimacy is a dynamic concept (Lindblom, 1993) as the expectations regarding the organisation in question can change over time, and particular events might occur that adversely affect the reputation of the company, its legitimacy and perhaps even its existence. In other words, breaches of the social contract are perceived to lead to a perception by society that an organisation is not legitimate.

If society does not consider the organisation legitimate, i.e. if a legitimacy gap exists, the organisation can use different strategies to bridge the gap[4]. The actions taken in such a situation depend on management's perceptions of the threats to legitimacy. The source of these threats to legitimacy may be the media (Brown and Deegan, 1998; O'Donovan, 1999). The importance of an issue to the public, and thus "the level of pressure placed on corporations to remain legitimate (or to regain legitimacy) is often influenced by the prominence of an issue in the media" (Deegan *et al.*, 2000, p. 105; see also Ader, 1995; Smith, 1987).

As argued by Woodward *et al.* (2001) and Deegan *et al.* (2002), legitimacy is also a resource that an organisation can influence or manipulate. In light of the existing literature (Deegan, 2002 for a literature review), when management perceives that it has operated contrary to society's expectations, it must, in the interests of the ongoing operations, undertake corrective action(s).

In Finland, the forest industry is a field with many connections to the concept of social contract (cf. Harte and Owen, 1987). Forest and water are two of Finland's main natural resources and the forest sector is an industry that exploits them. Seen from a different perspective, the traditional saying "Finland lives on her forests" demonstrates the importance of the forest industry to Finland. Furthermore, many of the largest global forest companies are Finnish in the sense that their roots

are in Finland, their head offices are in Finland and their top management are Finnish, and their owners and operations are largely still in Finland[5]. Frequently the Republic of Finland is also among the major owners of these forest companies. For these reasons Finnish society may expect a mode of operation in keeping with the norms and values of this society. In situations where the social contract is broken, there is an outcry for the legitimacy of operations and remedial measures, with the media serving as the main channel. In the Finnish forest industry, a legitimacy gap is easily opened up and enhanced due to strong trade union activity.

A crucial issue in our paper is organisational downsizing that, when leading to massive lay-offs and the closing of facilities, is seen as a breach of the social contract and a threat to corporate legitimacy. Albeit abandoning operations and deserting the local community and consequently being no longer dependent on that particular community's expectations or resources, an MNC needs to consider its reputation in the entire country in question and indeed worldwide. If a legitimacy gap exists, this could have irreversible economic effects on the corporation, for instance in the form of strikes and subsequent loss of customers and revenues.

As a conclusion to the theoretical framework it can be stated that in terms of social responsibilities, when making decisions concerning the surrounding society – e.g. downsizing and closing down operations – the company in question should take into consideration all stakeholders as parties to the social contract, or otherwise society might not consider the operations of the company legitimate. Understanding the role of different stakeholders from the social contract point of view can be seen as an important issue in maintaining the company's legitimacy and right to existence, understood as the preconditions for the company's long-term success.

CASE DESCRIPTION OF A FACTORY CLOSURE

Background

Traditionally the forest industry has played a significant role in the Finnish economy, and continues to do so even though its role has been diminishing steadily[6]. Many of the forest companies that today are part of large forest sector MNCs, were established during the nineteenth century or at the beginning of the twentieth century in rural forest areas where rivers provided energy and water resources needed in production processes and for transportation. Many towns and villages were established around wood processing plants, and the factories and the surrounding communities have co-existed for several decades, and over a century in some cases. Therefore, there often exists an implicit or tacit agreement or unwritten "contract" between the company and the surrounding community that the operations and co-existence would continue with the company providing work in the future too.

The surrounding community provides the factory with most of its production factors: natural resources to exploit (e.g. a river to generate water power and wood to produce pulp, paper, etc.), workforce, public transportation, local sub-contractors and other services. The company, for its part, sustains the local community by buying timber from forest owners, offering fairly permanent jobs and salaries to individuals and business to sub-contractors in the region. During the first half of the twentieth century, these companies influenced the whole local community in a positive way and served to develop it. They built housing for their employees and their families, established vocational schools, kindergartens, sports clubs and other cultural activities. In many towns and regions a forest industry company has been the main employer and source of economic prosperity. In Finland, the forest industry is concentrated regionally in a number of different centres. Therefore its significance for regional employment and for local well-being and prosperity has been (and frequently continues to be) considerable.

Finnish forest industry corporations have often grown to be the largest in Europe and even worldwide (PricewaterhouseCoopers, 2009). Throughout the world, the paper industry has existed traditionally to satisfy the needs of the domestic market i.e. paper consumption has occurred mainly in the same market area as its production. Today, the market has become divided into two broad areas: Asia, where demand and production are growing substantially, and North America and Western Europe, where growth has been slow. The industry is expanding its operations close to growing markets in Asia and the vast raw material resources of South America. The investments have also occurred largely in these growing markets. The paper industry companies operate globally and their ownership has also become global. (Finnish Forest Industries Federation, 2009.)

The position of the Finnish paper industry in the national economy and the competitive advantage of the industry in the global economy have changed significantly since the beginning of the 1990s. Compared to many other sectors, the globalisation of production and ownership of the paper industry in Finland has occurred relatively late. Since the beginning of the last decade, the Finnish forest industry has employed fewer and fewer people both in Finland and abroad (Statistics Finland, 2008). Until then, ownership was largely in Finnish hands and international operations consisted principally of exports. The situation has since been transformed as a result of the changes in the market, globalisation of the capital market, and concentration in the sector (Finnish Forest Industries Federation, 2009).

The case company

Our case paper mill, located in southeastern Finland, was founded in 1897. Today it belongs to one of the world's leading forest sector corporations[7], UPM-Kymmene Corporation, 2005–2007 (hereafter UPM). The corporation, with its several units all over Finland, has a long tradition in the Finnish forest industry as its first mechanical pulp mill, paper mills and sawmills started

operations already at the beginning of the 1870s. Today, UPM's businesses focus on magazine papers, newsprint, fine paper and speciality papers, converting materials and wood products with production in 15 countries. The corporation's main markets traditionally have been Europe and North America. Its sales in 2006, and also in 2007, exceeded EUR 10 billion and the group employed approximately 31,000 people in 2006 and 28,000 in 2007 (UPM, AR, 2007)[8]. The corporation's shares are listed on the NASDAQ OMX Helsinki and are traded in the US on the OTC market through ADR. The percentage of the foreign ownership at the end of 2006 was 71.3 and 68.8 per cent in 2007 (UPM, AR, 2007).

At the end of the nineteenth century, the home village of our shutdown case factory was a tiny, rural community. The area had, and continues to have, one special advantage that distinguished it from other places in the region, a fast-flowing river running through the area. This was noticed by a manufacturer, who established a paper mill that utilized the rapids in the river and also the extensive forests and timber resources around it. This paper mill, founded in 1897, became the biggest paper mill in Finland by 1900.

There were also two other paper mills in the neighbourhood dating from the 1870s. All three mills competed for the same water and forest resources, workforce and for the same customers in Finland and abroad. All three mills, including our case mill, were merged in 1904. The new entity, Kymmene Ab, was the biggest forest sector company at the beginning of the twentieth century in Finland.

The factories exercised great influence throughout the region. They attracted workforce from the rural areas in the region. Paper mill villages with housing and other service demands evolved and expanded around the factories. At the beginning of the twentieth century there were only few public services in the community. Therefore it became the responsibility of the company to provide the most important welfare services for its employees and their families. For instance, houses, schools, kindergartens, fire stations, saunas and laundry facilities were established, and healthcare and cultural services were organised by the company. Only after World War II did Finland develop as a welfare state where many social services were provided by the public sector.

Our case paper mill developed its operations throughout the twentieth century. As a result of several restructuring mergers and acquisitions, in 1995 the factory became a part of UPM-Kymmene, a large MNC operating in global markets. In its heyday, the factory had seven paper machines in operation. The recessions in the 1970s and 1990s had negative effects on the mill, and at the beginning of the twenty-first century there were only two (still large) paper machines still functioning. However, the paper mill had been operating for over 100 years now. The employees were settled in the village and many of them had been working in the paper mill for several decades, some of them were fourth generation paper mill workers.

The decision to shut down the case factory

The following story describes the shutdown of our case paper mill (and the idea of the “social contract” between the factory and its surrounding local community). At the end of 2005, the managers of the factory warned the employees of the forthcoming negative disclosure announcing that the factory was not making enough profit. At that time, the employees were asked to find solutions to improve efficiency and improve profitability as a precondition for continuing operations in the paper mill in question. The employees were given 12 months to make a proposal to the management on how to make the plant more profitable.

Only a few months later, in March 2006, corporate headquarters announced that the corporation would implement an efficiency and cost-competitiveness programme (Profitability programme) to regain the corporation’s profitability and to adjust its operations to global competition. This meant downsizing and massive lay-offs in Finland. The programme included shutdown of one whole mill producing coated magazine paper and one of the paper machines producing coated fine paper, in the village described previously and laying off its entire personnel of almost 700. The total number of people to be laid off in Finland was announced as approximately 3,000.

These restructuring actions were explained and justified by the corporation by stating that the factories were old and unprofitable, and that the organisation of the company had to become leaner and more efficient. Other reasons for downsizing announced by the company representatives were diminishing demand for paper in Europe (the main market area of UPM) and excess of capacity and supply compared to the demand for paper products. The profitability programme of the corporation was reported widely in the local, district and national newspapers and merited steady news coverage for several months in Finland.

Simultaneously with the downsizing decision, the corporation announced investments of about 370 million euros elsewhere in Finland. The investments were to be made to improve the production efficiency of a pulp mill and also label paper production. However interestingly, this positive news gained hardly any media attention.

The massive profitability programme of the corporation, including restructuring operations and the new investments, was announced in a press release at the beginning of March 2006. During the following three months the outcomes of the programme were negotiated between management and workers. At the same time the programme and its consequences were much criticized by various stakeholders throughout Finland. In May 2006, the corporation announced its final decisions and the outcomes of the programme. The original aims of the programme were unchanged, which meant that the final job loss at the paper mill in question was almost 700.

A relatively high unemployment rate is one of the greatest problems in Finnish society. In 2005 the unemployment rate was 8.4 per cent of the labour force (Statistics Finland, 2008), which meant that some 220,000 people were unemployed in a country of 5 million people. The

shutdown of the whole factory, the major employer in the town in question, was seen by the employees, and the local community as an irresponsible action. At one point the lay-offs were calculated to increase the local unemployment rate to as much as 20 per cent.

Remedial actions

In March 2006, the corporation had argued the need for the factory shutdown only from its own and the shareholders' point of view. Later, in spring, the corporation admitted that the local community was undergoing a serious change, and therefore needed special attention and support from the corporation and society. In its press release of May 2006, the corporation announced numerous actions taken to support the redundant workers.

To minimise the negative consequences of redundancy, the corporation started a special programme supporting retraining and relocation of employees. The corporation promised to finance pension schemes to the tune of 40 million euros. It also participated in a programme encouraging the laid off employees to apply for the corporation's internal vacancies and to move to other locations. Laid off employees were to be given priority when vacancies were filled and they were to be retrained to meet new job requirements. The corporation also promised to pay removal expenses and a settling-in allowance equal to one month's salary if the new job necessitated relocation. The corporation extended the re-employment obligation for laid off employees to 24 months, even though the legal obligation was only nine months. The employees given notice were also promised access to the occupational health care services of the corporation during this re-employment obligation period.

Furthermore, the corporation agreed on retraining cooperation with another industrial company in Finland. It promised that the corporation would support retraining by paying remuneration for the notice period, even if a person started retraining at this other factory before the end of the notice period. Moreover, the corporation moreover signed a letter of intent according to which a new, medium-sized company operating in the same local community would employ 50 to 100 redundant workers. The corporation also undertook to use the services of the new company for a minimum of three years. In addition, the corporation encouraged its personnel to create new businesses by offering start-up support. The corporation budgeted a lump sum of 0.4 million euros for this purpose.

However, the company did not do all this alone. Pressure to act and financial resources were also provided by the public sector[9]. The government of Finland established a working group to alleviate the consequences of the lay-offs and thus participated in these actions together with the corporation. Developing new businesses and retraining were joint efforts of the corporation, the Ministry of Labour[10] and the local community.

Understanding and interpreting social responsibilities in terms of social contract and legitimacy theory

The following analysis is based on the media texts and company disclosures concerning the downsizing and the factory shutdown case described previously. Our analysis starts by examining the corporate representatives' argumentation in order to find out how the corporation communicated its social responsibility and how it tried to legitimize downsizing actions. After that, the voices of the key stakeholders in the media are analysed to understand their concerns and how they perceived the social responsibility of the company, which in this case is part of a large Finnish forest sector MNC. The key stakeholders in this case regarded to be employees, the local community and Finnish society as a whole. These stakeholders were those most affected by the shutdown of the paper mill with an important stake to defend from the perspective of the long history of the case factory.

These quotations reflect the typical manner in which the company and its stakeholders express themselves. Public talk in the media is believed to reflect various parties' main arguments about the social contract between the company, its stakeholders and society. The company talk and public disclosures are analysed also from the perspective of legitimacy theory.

We begin our analysis by looking at the case corporations' value and CSR statements. On its web pages (in March 2007) the corporation describes its values and corporate responsibility as follows:

We at UPM consider responsible business practices to be essential for ensuring competitive performance and profitability. UPM recognizes the well being of people and society to be the true goal of sustainable economic growth. A responsible company is seen as a preferred business partner, employer and investment object. Responsibility is further developed in co-operation with stakeholders. The corporate policies on human resources, occupational health and safety, corporate social responsibility, environment, fraud and information disclosure are based on the principles of sustainable development. These policies are approved by the board of directors and form the cornerstone of this corporation's operations.

The corporation's Code of Conduct[11] starts as follows:

UPM's objective is to pursue long-term profitable business in an ethical and responsible manner taking into account economic, human and social, as well as environmental matters [...] striving towards sustainable development and continuous improvement are part of the everyday way of operating at UPM. Openness, trust and initiative are UPM's basic values.

On its CSR web pages the corporation states:

We promote responsible business conduct, ensuring that our staff has a safe and motivating working environment and work together with the communities and stakeholders. The UPM Code of Conduct is the foundation for this work worldwide

[...] UPM is a signatory of the UN Global Compact in which its ten business principles provide the basic building blocks for responsible business.

These quotations of corporate disclosure tell the reader that the corporation states to have accepted also other goals, not only to increase shareholder value. We have good reason to deduce that the corporation wants to be perceived by stakeholders as a proponent of the social contract (cf. the different ways to see the company's social responsibilities, Gray *et al.*, 1996). By formulating and publishing their public code of conduct and CSR statements, companies make explicit their core values and the aspirations of their members, and they can be held accountable for the extent to which they realize their aspirations and live up to the commitments they have formulated (Antal *et al.*, 2002).

Here the case corporation explicitly states that it deems social responsibilities to its stakeholders essential when aiming at profitability and ensuring competitive performance. The corporation claims to emphasize the well being of people and society, and this is mentioned as the goal of (sustainable) economic growth as whole. Profits are pledged to be made by ethical and responsible means. In light of the value statement text it might even be assumed that the corporation sees social responsibilities to its employees, other stakeholders and environment as prerequisites for ensuring competitiveness and sustainable development.

Primacy of economic argumentation in corporate talk

In March 2006 the company held a press conference at which it announced it was to implement an efficiency and reorganisation programme which, by Finnish standards, was exceptionally harsh. In Finland, where over 17,000 people were employed by the corporation, some 3,000 jobs were to be cut. Of these 1,000 were due to the closing down of paper machines and the remaining 2,000 to the efficiency bids in other functions, including cuts at head office.

The reasons evinced for the reorganisation included structural overcapacity in Europe and constant change in the operating environment. During 2001–2005, the corporation had cut its personnel by 4,800, of who 2,900 had left with functions, which had been sold off. In Finland the decrease in personnel had been 3,300 in the same period. However, the corporation did not consider it had made erroneous investments in creating such vast overcapacity, but rather that the reasons were in the development outside the company. The situation of the company has become such that no alternative could be seen to the closing of factories and decisions to cut jobs. The “necessity”, “no choice”, “no alternatives” rhetoric was characteristic of the corporation's and its representatives' arguments and this was also supported by the employers' union.

The corporation's press release of March 8, 2006 was entitled “UPM to start an extensive programme to restore its profitability – efficiency improvement will involve all divisions and functions”. The corporation described its plans to close down its least competitive papermaking operations and to achieve a major improvement in the efficiency of all divisions, units and

functions worldwide. The annual cost saving after completion of the programme was estimated to be EUR 200 million. Furthermore, the programme was expected to have a significant impact on the corporation's profitability.

On behalf of the president and CEO of the corporation the press release reported that:

UPM employees have worked hard to restore profitability, but we have not been able to achieve a turnaround. Traditional markets grow very slowly and structural overcapacity dilutes our ability to utilize our production facilities efficiently. At the same time, the cost of production inputs has dramatically increased and Asian and South American competition has entered the market. In this kind of business environment sustainable profitability improvement requires new kind of thinking and more drastic measures than before.

Furthermore, the president and CEO justified the corporation's planned downsizing actions by saying:

Closure plans and heavy restructuring are necessary if we are to remain a strong and active player also in the new business environment. The measures are intended to make our best units even more competitive (UPM's press release, 8 March 2006).

In many public statements profitability problems of the corporation were given as the main reasons for the closure of the mill. Despite this strong emphasis on financial matters the argumentation was often done without explicit accounting figures:

[The] mill and all production lines planned to be closed have remained unprofitable in the competitive environment (UPM's press release, 8 March 2006).

During the last four years, our operating income hasn't even reached our minimum goal (president and CEO, 9 March 2006, HS).

Division manager of the corporation was quoted in the daily business newspaper claiming:

Our patience with poor productive ability is waning. We want to undertake measures ourselves to improve this. Therefore the urgency of these measures has increased within the company (division manager, 9 March 2006, KL).

As can be seen in the previous quotations, profitability and economic viability were emphasized strongly and were distinctive features for the corporate representatives' comments. To the question about the CSR of the corporation the president and CEO answered as follows:

Operating in a responsible manner requires that the necessary measures be considered, as the environment is perceived to change [...] that we undertake these measures is of itself responsible action. Then we need to find all possible factors by which people can be got through this change (president and CEO, 9 March 2006, KL).

In response to the public concern over the situation, division manager of the corporation commented as follows:

It is obvious that the operations are extremely hard. It has not been easy to make these decisions (division manager, 9 March 2006, KS).

Even though reported through the media, these quotations by the representatives of the corporation reflect their typical talk and the argumentation used in it. Profitability formed the main argument in the reasoning. The operations were described as necessary, but hard. There was no choice, no alternatives. Representatives of the corporation invoked necessity and no alternative rhetoric. However, they did not bother to offer much to support their reasoning. The use of accounting figures, at least what was published, was all in all very scarce.

As part of the press release information in March 8, 2006 the president and CEO of the corporation stated however, that:

Despite all the efficiency activities the operating profit of the corporation is low. Last year it increased only slightly and was 5.6 per cent.

This reflects a situation quite typical in the forest industry; after the record results at the turn of the century, the profitability of UPM had decreased so that for instance return on equity (ROE) had fallen from 21.9 per cent in 2000 to 4.6 per cent in 2006 (Annual Reports of UPM). Operating profit shows a similar kind of progress having been 19.4 per cent in 2000 (AR, 2000).

No precise surplus or deficit numbers were presented about the case paper mill to be totally shut down or economic calculations about the paper machine to be stopped to demonstrate the necessity of the shutdown operations. In fact, it was stated explicitly that detailed factory-specific financial figures were not to be announced publicly. It was only at the shareholders' general meeting at the end of March that some factory-specific financial information was told publicly. The case paper mill was said to have incurred a loss of tens of millions of euros over the years. The information given, and the precise financial argumentation however remained minimal as the president and CEO of the corporation was stated in May 2006:

For the fourth year in succession the factory is showing a heavy loss, the yield on capital invested has been minus 10 per cent for three consecutive years. The paper machines are in reasonable condition, but the power plant is finished (President and CEO, 29 May 2006, KL).

Following the business case of corporate social responsibility (Gray, 2002; Larrinaga-Gonzalez and Bebbington, 2001; O'Dwyer, 2003; Parker, 2005). CSR was understood mainly from an economic perspective. The President and CEO of the corporation defended their decisions using the following arguments:

We were obliged to take hard but necessary action. The best way for a corporation to carry out its corporate responsibility is to be profitable (president and CEO, 23 March, KS).

Afterwards, in UPM's Annual Report of 2006, the same kind of rhetoric and emphasis on the economic dimension of CSR continued. In the opening sentence of the review by the President

and CEO of the corporation, the operating profit was said to have improved but not enough to reach the targeted level. The profitability programme was stated to be “necessary to guarantee cost-efficiency and long-term competitiveness” (AR, 2006, p. 7).

The actions were described as necessary, which of course suggests that there are no other options. Later, the corporation indicated the existence of alternative solutions, but noted that these were not economically feasible:

Negotiations were carried out locally, in a serious but constructive atmosphere. During negotiations both the rationale and impact of the plans was discussed and alternative solutions to improve cost efficiency were identified. Continuing the operations of the mill and the production lines planned to be closed is not economically viable in the current overcapacity situation and changing business environment (UPM’s press release, 15 May 2006).

In the Environmental and Corporate Social Responsibility Report 2006 (p. 5), the priority of economic dimension was stated by the President and CEO of UPM in his review text by the following words:

Responsible business is based on a strong financial position and a good competitive edge. This will help us to realise our environmental and social responsibility now and in the future.

In the same review text the president and CEO admitted that the decision to close down the case factory “[...] paralysed the community, as it led to the loss of 678 jobs” but only “for a brief moment” because “the employees were quick to seek new employment and took advantage of the support services available through the corporation’s ‘From job to job’ programme”.

The CSR section in the report also starts with the statement:

The implementation of the profitability programme started in spring 2006 had a widespread impact on all the company’s personnel”, but the “From job to job” programme helped those faced with unemployment find new jobs or training opportunities.

The company understood its responsibility primarily from the economic perspective and the decisions taken in this situation were said to be good for all stakeholders. It is understandable that the business firm emphasizes economic issues and tries to legitimize its actions using economic argumentation. However, surprisingly the use of accounting figures in legitimizing the decisions to the public was very meagre. Necessity, no choice and non-profitability rhetoric was used without proof from relevant financial information. Only few, if any, accounting figures concerning the non-profitability or other financial performance measures of UPM were presented in the media. Reasoning was not based on evidence. For those stakeholders without access to the firm’s accounting figures, the arguments concerning the paper mill’s unprofitability remained suspect.

The social contract point of view of employees

According to Barsky *et al.* (1999), among stakeholder groups the employees appear to be “the most vulnerable to organizational downsizing because of their lack of mobility”. In our case, employees of the company expressed their concern over the downsizing operations using various arguments. First, the employees were shocked totally by the announcement of the downsizing programme. They had been expecting something bad, as they had obtained some information about the profitability problems of the factory (e.g. as part of the result warning in December 2005), but the shutdown decision was a shock.

The employees’ official perceptions are heard via their labour union. The Chairman of the Finnish Paper Workers’ Union described the downsizing in the following way:

The massiveness of the operations came as a surprise. The workers have been flexible. The corporation has a steady and sound balance sheet and therefore there would have been options to work out the downsizing in a different manner by re-scheduling it and by letting things happen by natural attrition (chairman of the Finnish Paper Workers’ Union, 10 March 2006, KS).

As reported in the corporation’s press release about the lay-offs, the decision to close the factory was based on non-profitability. The employees did not agree with management on the issue of the economic situation of the factory. At this point the employees were told about the profitability problems but they were not given relevant accounting information to demonstrate the downsizing decision, because the seriousness of the financial situation came as a surprise.

The employees also criticised the financial information presented by emphasising that even though UPM’s operating profit for financial year 2005 was 278 million EUR, without the non-recurring items it could have been over 500 million EUR. The chairman of the Finnish Paper Worker’s Union also criticised the corporation for bad management and maintained that without some unsuccessful decisions the operating profit could have been 400 million EUR bigger (14 March 2006, KS).

The historical development of the town and the factory had created circumstances where an unwritten social contract of continuation was assumed to exist. It seems like there was a common belief that the paper business in the town would continue as it had done for more than 100 years. The employees were very disappointed and angry about the shutdown because only some months earlier they had been given the option to find out how to improve the paper mill’s efficiency and profitability. They were promised one year’s time for this improvement project, but now, only three months later, this promise was broken:

These issues were negotiated in December (2005), and we were given a year to get the competitiveness taken care of. Now that promise has been broken (chairman of the Finnish Paper Workers’ Union, 9 March 2006, KS).

That the corporation announced the closedown of the paper mill before the year was up was understood by employees and their representatives as a clear breach of contract. Following Deegan *et al.* (2000, p. 105) “breaches of contract are thought to lead to a perception by society that the organisation has lost its legitimacy”. The clear breach of contract to cut the one-year period was perceived by the employees to be contrary to the terms of the tacit social contract, which put the corporate legitimacy in danger.

The following statement by the Chairman of the local branch of the Finnish Paper Workers’ Union reflects employees’ disappointment in broken promises and inadequate information disclosure. It also raises the issue of the principal role of the shareholders and their profitability demands compared to the local stakeholders’ needs when talking about the CSR of global corporations:

There was no information about this beforehand. Not a single warning, not a single hint, nothing. The state of affairs was carefully kept secret so that not even the local management knew about this. The division manager visited the mill at the end of last year and said that the factory had a year to make things work. All the talk about social responsibility is a joke. It surely gets you when all the actions are dictated by the investors’ money. Whatever means are accepted and no one cares about consequences to the people here (chairman of the local branch of the Finnish Paper Workers’ Union, 9 March 2006, KS).

This comment also refers to the corporate social responsibility issue and says that the social responsibility (of the corporation) is “a joke”. What in the talk of another group (e.g. company management) can be described as responsible action may for another group (the workers) appear as a mere joke. The chairman of the local branch of the Finnish Workers’ Union (at least implicitly) argued that the corporation was in favour of one stakeholder group (the shareholders) only, and other stakeholders (for example employees and the local community) are abandoned.

Further, the employees were disappointed with the way the operations were handled. They felt that they were not taken into consideration, and that the downsizing procedures were just a message from above. Because of this, the chairman of the local branch of the Finnish Workers’ Union demanded more co-operation between the employer and employees in decision making and problem-solving. He stated as follows:

We require that the industrial co-operation procedure is based on real collaboration instead of mere theatre. The search for [downsizing] schedules, number of employee layoffs and alternative options must be real teamwork (chairman of the local branch of the Finnish Paper Workers’ Union, 9 March 2006, KS, HS).

He added:

We have been treated in such a way that if there is any opportunity for treating us worse, they will hardly fail to use it (chairman of the local branch of the Finnish Paper Workers’ Union, 9 March 2006, HS).

Owing to its more than 100 year-old history the factory had the reputation of being a safe employer. Many of the workers and their parents and grandparents had earned a living at the factory. The factory was considered part and parcel of the local community, as the following comments by workers and their representatives show:

The corporation was considered to be a safe and permanent work place [...] my grandfather worked in the factory, too (chairman of the local branch of the Finnish Paper Workers' Union, 9 March 2006, KS).

This totally crashes our household economy (a family with one child, both parents working in the factory, 10 March 2006, KS).

It's as if I'd lost a family member, I can't take it in (a worker, 10 March 2006, HS).

The company has deceived him in the same way as all those working in this factory. The factory was considered to be a really safe employer with half the family working for it (news article interviewing a worker, 11 March 2006, HS).

This may be a new beginning, how can you tell. It's not the end of life, but there are many who don't know how it will go on (a worker 12 March 2006, HS).

The vicar of the local parish was also interviewed about the downsizing and its effects on the employees and the local community. That the parish also took part in the misfortune situation in the form of mental support describes the severity of the downsizing operations for the community:

The factory giveth and the factory taketh away. The factory really is the heart of the place, even its surface area amounts to a third of the whole built-up area. There are actually people of the fourth generation working there. The problems connected to the closure of the factory are not confined to a vast number of unemployed people; all sorts of extra effects will make things even worse, affecting the whole place. The biggest problem is now anxiety and shock. "Who will buy the newly built house and at what price if someone has to move?" (news article interviewing the vicar and civil servants, 12 March 2006, HS).

The employees felt that their interests as stakeholders were sacrificed to shareholders' interests. As reported in several newspaper articles, in such a situation they could not help questioning the limits to the shareholder's greed.

The employees' argumentation was emotional and reflected their real concern about the future and earnings. It was a real risk to become permanently unemployed in the small town that could not offer many alternative work options. A relatively high unemployment rate was a problem in Finland, especially in many small villages and rural areas where the unemployment rate is often much higher than the national average.

All these quotations from the employees and their representatives reflect two issues: disappointment and deception, and the breaking of the social contract. The personnel had

believed that the factory would continue to operate in spite of the difficulties to which, in time, a solution might be found.

CSR argumentation by the local community and Finnish society

For the local community (the paper mill town and the surrounding village) the decision to close the factory was a shock, too. The following comment by the mayor of the hometown of the case factory reflects the extent of the surprise in an unambiguous way:

Nothing this dramatic has ever happened before (mayor, 9 March 2006, KS).

In a town of 20,000 inhabitants and a working population of 9,000, the closure of the factory and the redundancy of 700 people lead to a decrease in tax income and knock-on effect on the tax rate. The estimations of the influence on the tax rate varied from two to four per cent. The chair of the town council calculated the extent and effects of the downsizing operations to the town and the local community as follows:

The shutdowns totally ruin the town finances. The impact on the tax rate is about 2 per cent. The downsizing is so severe that nothing could replace it, we expect social responsibility from the employer (chair of the town council, 10 March 2006, KS).

We live from paper, we market ourselves as a paper town. This is an extremely hard blow for us. It is not easy to find other work in a town with negative migration (news article interviewing a senior municipal official, 9 March 2006, KL).

Later, after the initial uproar abated, the town representatives were a little more optimistic in saying:

[...] this is a big blow to the local community, but we're not going to die [...] It did not come as a surprise, but we could not guess that the cuts would be so severe. When the forest industry causes us trials it strikes us at the grassroots level. Relations with the factory and local management were always good. But international management takes no heed of a single industrial location (mayor, 10 March 2006, HS).

The previous quotations represent well the nature of the reaction to the downsizing issue from the local community in the media. After the first shock, the town officials representing the local community dared to make only few comments on the situation. It seemed as if they were trying to avoid any complaints or demands but to project a positive, successful image of the town. This can be understood from the perspective of the power conflict between the parties to the social contract. The global MNC had more power than the other parties to this conflict. The large MNC had made its own decisions and the local community had no means to prevent this. Local authorities had no other options but to accept the downsizing decision without conditions. The local community had few means to remain an attractive business environment. Too much noise in this case would be harmful to future development. Analysing the previous quotations, the local authorities – in their sparse comments – based their comments mainly on responsibility rhetoric.

They demanded corporate responsibility, but without any specification of what they actually meant by it.

The news about the corporation's profitability programme gave rise to a nationwide debate on the situation and its effects on the employees, the local community and Finnish society as a whole[12]. The company's actions were considered illegitimate on the local level but the idea that an MNC worries more about its profitability, operations and legitimacy on the global than on the local level met some understanding from the representatives of Finnish central government. The Government of Finland did not see much to do to affect the decisions made by an individual MNC. The Prime Minister of Finland pointed out the limitations of governmental power:

The government can do little when it comes to decisions made by private companies (The Prime Minister, 10 March 2006, KS).

Such actions are the only way to success in future markets. These decisions prepare the way for future success and growth of the industry (The Confederation of Finnish Industries, 21 March 2006, KS).

However, public concern over the Finnish MNC's downsizing operations in its home country was so extensive, that society (for instance people representing Finnish central governmental organizations) also felt a need to comment – often in strong terms – on the situation. For instance, two MP's criticized the corporation's actions saying that:

The announcement to close down the factory shows that the corporation feels absolutely no responsibility for the local community and its inhabitants (MP1, 9 March 2006, KS).

The local community will by no means be able to handle this alone. Now the whole region has to carry the social responsibility. This problem affects the whole region (MP2, 10 March 2006, KS).

The Government of Finland established a working group[13] to consider the situation of the forest industry. In its report the working group called for the company to show some social responsibility in the following terms:

UPM must engage “with a considerable input” in the further economic development of the area. Enterprises are required to demonstrate social responsibility [...] the company should support crisis areas and arrange more training and investments and support economic policy in the area (Government working group, 22 March 2006, KL).

The Government of Finland finally participated in the programme and actions taken to find jobs and secure subsistence for the people made redundant by the shutdown.

UPM's support for the redundant employees did not go unnoticed by society. Even after the announcement of UPM's corrective actions, employees criticised the corporation and the Finnish Paper Workers Union came out on a two-day strike as they felt that “something needed

to be done” (worker, 13 May 2006, HS). However, during the time of the announcement of the remedial actions the discussion and critique in the media had lost its sharpness.

No company before this had ever supported its employees with such corrective actions, and suddenly the corporation’s actions were described as an example of responsible business behaviour. The corporation that only a few months earlier had been criticized for its irresponsible behaviour was now praised and considered to take responsibility towards its employees and local community (13 May 2006, AL). Especially in the following years, UPM – which had been the first in the series of Finnish forest sector MNCs to announce downsizings – was often mentioned in media as a model of responsible reductions of workforce:

UPM carried its responsibility for the mill closure already from the beginning (a reporter, 2 November 2007, TE).

As seen in this paper, even though the corporation commented on the situation quite extensively in the newspapers and tried to reduce the legitimacy gap by public discussion and reasoning, this did not seem to be sufficient, as later the corporation also took the massive and costly measures described previously to ensure the future of the redundant personnel. Using these measures the company was able to bridge the gap, which opened up when it broke the social contract between the company and Finnish society and so regain the legitimacy of its operations.

CONCLUSIONS AND DISCUSSION

In this paper we have described and analysed the closure of a paper mill with a long history and the position of an important actor in the locality and in Finland. The closure decision of the case paper mill was taken by the MNC, a part of which the mill had been since 1995. Our analysis used written texts on the social responsibility of companies both from the perspective of the company and its main stakeholders. Our point of departure was the stakeholder theory and the concepts of social contract and legitimacy, all of which depend on a system oriented view of society and the ideas of political economy theory. In light of our analysis of the individual case company we evince certain interpretations likely to concern multinational corporations more generally.

As a general conclusion we can state that in a downsizing/shutdown operation the two opposite sides, the MNC as an employer and the employees and the local community had quite different perspectives on the situation and on the concept of CSR. The corporation emphasized its economic responsibilities as a global business firm whereas employees and the local community perceived the company as a local employer. The corporation understood CSR from the global business perspective as a responsibility to provide economic competitiveness and profitability to its shareholders, whereas the employees did not approve the tough profitability demands of the shareholders at the cost of other stakeholders. The employees with the voice of their

representatives, elected officials and leaders of the labour unions called for the corporation to show local and social responsibility.

When a social contract based on a lengthy history is broken or abandoned, and operations (or reputation) of the company are threatened by a legitimacy crisis, company representatives and stakeholders speak different languages. They have differing concerns, interests and arguments. In this case of a closure of a paper mill the discourse of the company is characterised by the rhetoric of the global listed corporation: the corporation must improve its profitability and competitiveness. The main argument for the legitimacy of the closure decision rests on economic considerations. What is perceived as social responsibility is also downsizing as a means of taking care of the further development of the remaining units and their profitability.

The corporate representatives tried to convince the stakeholders that to cope with global competition, the right (and the only possible) action to take was to cut costs and downsize operations. Thinking revolving around the social contract and legitimacy does not emerge in the media texts based on the voice of the company representatives. What was once a Finnish enterprise has now been replaced by global owners and actors and their norms and values. Thus a social contract based on a long history no longer carries as much weight as the local stakeholder groups assume and expect.

On the other hand, workers' argumentation can be perceived to be based on the existence of, and people's faith in the social contract, albeit unwritten, that the operation of the paper mill would continue – as indeed it had done for more than a century. The decision to close down the paper mill was seen as unexpected, and shocking, even though the workers had been assigned the task of finding ways and means, by which to make operations more effective and productive. Perhaps the social contract thinking was so strong as to blind people to the reality. The workers felt that they had been betrayed when it was suddenly decided to close down a paper mill, which had operated for over 100 years and provided jobs for several generations of workers. That the company broke their promise given a few months earlier, allowing a period of 12 months to carry out an effectiveness programme, was a particular source of disappointment. Even the legally prescribed co-operation procedures were felt by the employees to have been taken only because they are statutory, not for purposes of real co-operation.

The pronouncements of decision-makers at national level, and of the local community, are also characterised by disappointment, even though one could say that it is for the decision-makers to generate optimism and perceive in the loss of the old the opportunity for a new beginning. The stakeholders' disappointment following the breaking of agreements causes a legitimacy gap to open up – as indeed seems to have happened in our case study.

Legitimacy was described previously as a dynamic concept based on social norms and values. For multinational corporations the demands of investors take priority and it is through their norms and values that corporations seek legitimacy. International owners and shareholder value

thinking have triumphed over the stakeholder thinking (Näsi, 1995) that pursues the interests of a certain society and its stakeholder groups more equally.

Our study supports the idea of defining the globalization of business as the deterritorialization of MNCs. For example, Scholte (2000, pp. 46–61) and Crane and Matten (2004, pp. 14–17) define globalisation as a “progressive eroding of the relevance of territorial bases for social, economic and political activities, processes and relations”. Whatever the original home country of the MNC or in whatever country the headquarters of the corporation are located, the owners are international and their demands often undermine the home country values and wishes regarding the firm’s operations.

What is essential in understanding globalization – whichever of the numerous description of the concept is used – is that its effects are always experienced locally, not globally (Boyce, 2008). Likewise in our case study, the concern of the local stakeholders, especially the employees, is local. Where will new jobs and means of making a living be found in the future? However, in our case company the remedial actions to restore legitimacy can be interpreted to have come about solely because the company headquarters and operations – in spite of the company’s global nature – are still predominantly Finnish (50 per cent of personnel were Finnish in 2007). The implicit social contract of continuity had the effect of forcing the corporation to take corrective measures to ensure the well being of the workers who were made redundant. Due to the legitimacy gap company management was compelled to undertake considerable remedial measures running into millions of euros. It may be claimed that this was due to the powerful counter reaction on the part of the key stakeholders. Their reaction was so strong that the corporation could not ignore it without risking its reputation as a responsible actor.

Following Boyce (2008), the “real” social responsibility of companies needs to be evaluated in a situation where economic and market imperatives are associated closely with actions that lead to harmful social and ethical outcomes, like downsizings and restructuring operations leading to layoffs. Our study supports the findings of other studies (Adams, 2002; Bailey *et al.*, 2000; Boyce, 2000; Buhr, 2002; Gray *et al.*, 1996; Mouck, 1995) summarized by Unerman and Bennet (2004, p. 687) stating that:

[...] in practice, when deciding on which social contractual responsibilities are to be addressed, businesses usually seek to protect or advance capitalist hegemony by prioritising the interests of those stakeholders who exert the greatest economic power and influence over the disclosing business.

Companies in the forest sector, like many other significant companies have taken to publishing reports on sustainable development and social responsibility – either standalone or as part of their annual reports. As in many other earlier studies (Bebbington *et al.* 2008; Parker, 2005) here, too, it was seen that for pristine capitalists and expeditors, the production of such reports cannot logically be for any other reason than possibly that they are fashionable and imitative, that they serve PR purposes and serve to improve corporate image or for some similar reason. The analysis

of the annual and CSR reports of UPM also show that the company strongly emphasised the wellbeing of the employees, but in reality priority was given to economic short-term profitability. Our study thus supports the business case of CSR reporting (Gray, 2002; Larrinaga-Gonzalez and Bebbington, 2001; O'Dwyer, 2003; Parker, 2005). The study moreover permits the interpretation that these reports serve to mitigate the otherwise shareholder centred and pristine capitalistic nature of global operations.

Moreover, traditionally accounting has been understood as a powerful tool for use in optimizing the economic efficiency of organizations (Craig and Amernic 2004a, b; Unerman *et al.*, 2007), for example, in demonstrating the necessity of downsizing operations as well as in other situations where accounting can be used for setting competitive conditions for others to match if corporations are to survive economically (Tinker and Carter, 2003). All in all, accounting is embedded in many areas of social and economic life and can be seen as a set of practices that affects the type of world we live in and the way we understand social reality (Miller, 1994). In this case study it was perceived that accounting was used as a rhetorical means to influence stakeholder perceptions, and that the use of actual accounting information in legitimizing the downsizing decisions was minimal; few figures, few numbers. For some reason the corporation did not consider it necessary to legitimate its efficiency and profitability programme by disclosing accurate financial accounting information. Accounting did not function in its accountability role, providing stakeholders with the information, giving an account of what was done.

From the argumentation and rhetorical perspective, arguments concerning, for example, the non-profitability of the case paper mill were used with the intention of persuading the opposing parties with powerful financial words and concepts (that are mostly not even clearly comprehensible to a layperson, a person without an accounting degree). We believe that more research is needed in order to understand the powerful and dominating nature of economic reasoning and the role of accounting in creating and maintaining it. We call for more research on the role of accounting and financial reporting – also CSR reporting – in influencing and forming public opinion.

NOTES

1. Defined as “any group or individual who can affect, or is affected by, the achievement of a corporation’s purpose” (Freeman, 1984).
2. And also to stakeholder theory (Deegan, 2002).
3. The explicit norm being the law, but here the emphasis is on the implicit norms and values of the surrounding society.
4. For more detail on legitimation strategies, see Lindblom (1993).
5. These companies are UPM, Stora-Enso and Metsä liitto Group who are all among the top 10 in the list of top 100 global forest, paper and packaging industry companies (PricewaterhouseCoopers, 2009).

6. The forest sector's total of the gross domestic product (GDP) of Finland in 1960 was 15.0 per cent, in 1970 13.1 per cent, in 1980 11.1 per cent, 1990 7.1 per cent, in 2000 8.1 per cent and in 2004 5.6 per cent (Peltola, 2005). The shutdown of our case company in 2006 started a chain of profitability improvement programmes in the forest sector MNCs, leading to downsizings and to drastic decrease of the forest sector's role in the Finnish economy. The peak of these operations dates back to fall 2008-Winter 2009.
7. Fifth on the list of the top global forest sector companies, measured with sales (PricewaterhouseCoopers, 2009).
8. The decrease in sales and the effects of the restructuring operations can be seen from the 2008 figures as in 2008 the sales were 9.46 billion euros and the number of employees approximately 26,000 (at the end of the year 25,000).
9. Even though the subsequent corporate disclosures did not highlight the Government's participation in these supporting actions.
10. From 1 January 2008 onwards the Ministry of Employment and the Economy.
11. Approved by the Board of Directors on May 31, 2006.
12. Keeping in mind the (historically) important role of the forest industry in Finland.
13. The chairman of the working group was the Secretary of State from the Ministry of Trade and Industry and other members included the Secretary of State from the Ministry of Finance, Secretary of State from the Ministry of the Interior, the Permanent Under-Secretary of State from the Ministry of Labour and the Under-Secretary from the Ministry of Trade and Industry.

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Corporate social reporting in the Finnish forest sector – A political economy perspective

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Acknowledgements: The author is grateful to the constructive comments and help provided on earlier versions of the paper by the participants of the Interdisciplinary Perspectives on Accounting conference in Innsbruck, July 2009; the 6th Annual Accounting and Information systems (ACIS) Thesis Day, Christchurch, New Zealand, October 2009; and the Finnish Accounting Tutorial 2011 and 2009. The detailed and helpful comments of Markus Milne, Matias Laine and Salme Näsi are also gratefully acknowledged. Research funding was generously provided by The Finnish Work Environment Fund, The Finnish Cultural Foundation, The Finnish Foundation of Economic Education and The Marcus Wallenberg Foundation for Business Studies.

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Corporate social reporting in the Finnish forest sector – A political economy perspective

Abstract

Purpose: The paper aims at increasing understanding of the corporate reporting by scrutinizing the communication about the roles and (social) responsibilities of business in society and emphasising the socio-political role of corporate accounts.

Design/methodology/approach: The study uses methods of content and discourse analysis to study the disclosures of two Finnish forest sector companies during 2000–2008, wherein a major structural change in the industry was experienced.

Findings: A content analysis of the reports shows a “rise and fall” of social reporting during the period while discourse analysis reveals a changing discourse and increasing dominance of the economic reasoning towards the end of the period. This concurs with the increasing profitability pressures in the industry. The disclosures report the structural change from the perspective of shareholders with underlying unitarist assumptions of shared benefits. The wider political implications are excluded from the reporting.

Research limitations/implications: The implications of the qualitative research design based on some level of subjectivity have been offset by reporting the study and findings in depth. All the empirical evidence is publicly available. The research is based on a relatively small amount of empirical material, thus not aiming at generalisations in its results but at shedding light on current social reporting practices focusing on a particularly interesting context.

Originality/value: From the political economy perspective the study analyses and problematises the limited and partial nature corporate disclosure and makes explicit the [a]political nature of it. The study adds further insights on the limitations of the current voluntary corporate social reporting practices.

Keywords: Corporate social responsibility, corporate disclosure; discourse; political economy of accounting; forest industry; Finland.

INTRODUCTION

In recent years, the forest industries in Finland have announced series of massive downsizing operations in the name of increasing profitability. This has resulted in job loss of around 15 000 employees between 2000 and 2008. While downsizing may ensure the profitability of the companies¹, and may prove to be 'good' for business and even ultimately for society at large, there are [other] severe consequences for society. In other words, restructuring measures create costs for society that become externalities². Despite various actions taken by the companies and the Government of Finland to secure the future of the laid-off employees, for an individual the consequences of redundancy are extremely serious. They have been shown to include depression, causing poor mental and physical health and other socio-economic problems (Ferrie *et al.*, 2008; Hetemäki and Hänninen, 2009).

Furthermore, globalising business operations, that often entail closing down production capacity and the subsequent job loss, change the industrial and social structure of the country. It may cause significant socio-economic problems to the – often remote – areas where the production used to be located. This is linked to increased income³ and socio-economic health inequalities⁴ and decreased levels of individual happiness within the country⁵; problems that have become increasingly serious in the last 30 years. This applies both in Finland as well as in other OECD countries (The National Institute for Health and Welfare, 2006; New Economics Foundation, 2009; OECD, 2006; Riihelä, 2009). Thus these economic events, i.e. problems within the forest industry, can be related to the overall wellbeing of society and its members.

Accounting scholars have for long been interested in the socio-political implications of accounting and reporting (see e.g. Burchell *et al.*, 1980; Tinker, 1980, 1985, 1988; Tinker *et al.*, 1982; Cooper and Sherer, 1984; Hopwood, 1987; Williams, 1987; Cooper and Hopper, 1987; 1990; Arrington and Puxty, 1991; Arrington and Francis, 1993; Miller and Napier, 1993; Miller, 1994; Parker, 1986; Puxty, 1986, 1991). Interpretive and critical studies on corporate disclosures have burgeoned during the last ten years or so, as the limitations of the more traditional content analytical methods have become clear. This study adds to the interpretive and critical studies on corporate social reporting (see Livesey, 2001, 2002; Livesey and Kearins, 2002; Tregidga and Milne, 2005; Milne *et al.*, 2009; Laine, 2009 and Cho, 2009) by analysing the development

¹ Although there is only limited support to this in literature, see e.g. Orlando, 1999; Palmer *et al.*, 1997.

² In other words, costs that are not included in the financial statement of the company in question but are left for society.

³ "There has been a (moderate) increase in income inequality that has gone on since at least the mid-1980s and probably since the mid-1970s. (OECD, 2006, p. 2)

⁴ "Various indicators show that the health of the Finnish population has improved but socioeconomic health inequalities have generally remained or even widened." (Palosuo *et al.*, 2007, p. 7)

⁵ "Whilst economic output in the UK has nearly doubled in the last 30 years, happiness levels have remained flat." (New Economics Foundation, 2009)

and discourse in corporate social reporting in the Finnish forest industry in the last decade. The period is interesting for several reasons: the changes in the Finnish forest sector have been very fast and drastic, the concern over the negative impacts of corporate operations on society has become clear and the decade has also witnessed a flurry of corporate social responsibility (CSR) reporting.

Inspired by the long-heard, yet still largely unanswered calls for “more politics” in accounting (Tinker, 1980; Cooper and Sherer, 1984; Cooper, 1990; Milne, 1996; Brown, 2009; Spence *et al.*, 2009) this study aims to discuss corporate reporting practices in their social and political context. The paper thus relies on the idea of the political economy of accounting (Tinker, 1980; Cooper and Sherer, 1984; Arrington and Puxty, 1991; Gray *et al.*, 1995, 1996; Spence *et al.*, 2009). It is argued that accounting can “play a pivotal role in the way organisations construct themselves and their environment, economically, politically and socially” (Parker, 2005, p. 847), and that “accounting research should reflect upon the social, political and economic context in which accounting operates” Cooper and Sherer (1984, p. 225). The Finnish forest industry with its very high national socio-economic importance provides an interesting example to analyse the role and responsibilities of business in society. This paper uses discourse analytical methods in problematizing the corporate talk about social responsibilities. Particularly, the study focuses on analysing how this massive structural change in the industry is accounted and reported for.

The paper continues by discussing the political economic theory of accounting and reviewing the relevant accounting literature with a similar approach, i.e. studies that analyse corporations and their disclosures from discourse analytical perspectives. Next, the research methods and empirical material are introduced in more detail. In the following section the findings of the empirical analysis are being presented, following a discussion of the findings in the broader socio-economic context. The final section of the report summarises the main contributions of the paper, discusses its limitations and offers some suggestions for future research avenues.

CORPORATE REPORTING FROM THE PERSPECTIVE OF POLITICAL ECONOMY

Corporate social and environmental reporting started developing at the turn of the 1960s and 1970s, mainly in the form of social audits (Parker, 1986), which were social reports compiled and written by a third party and based on observations of the corporate operations. Soon after that the focus switched to environmental issues, then reverted to the broader issues of sustainability and corporate social responsibility at the beginning of the last decade (KPMG, 2005, 2008; Unerman *et al.*, 2007). The main topics nowadays reported in the category of ‘social responsibilities’ include, for instance, employee-related issues (e.g. pensions, training, and employee welfare), community, health and safety, (Adams, 2002; Campbell *et al.*, 2003; Gray *et al.*, 1995), and corporate governance (KPMG, 2008). The majority of studies show that social and

environmental reporting is increasing; e.g. Kolk (2003) showed a rise in sustainability reporting among multinationals. A similar trend was found among Finnish companies (KPMG, 2008)⁶. There are several standards and guidelines on how to report on CSR, but neither the Finnish nor international accounting legislation requires companies to CSR reporting; it is based on the voluntary actions of the companies.

Academic research in the area of social disclosure has proliferated during the last (few) decade(s) and is now well established in the field of accounting research (see e.g. Gray, 2001, 2002; Gray *et al.*, 1995; Mathews, 1997; Owen 2008; Parker, 2005). Although the motivation and reasons for SER may vary (Adams, 2002, Bebbington *et al.*, 2009; Deegan, 2002; Gray *et al.*, 1996) it has been said that the “principal justification for social accounting must lie in its emancipatory and radical possibilities” (Gray, 2002: 869). However, the notion of “business as usual” is often acknowledged in the studies addressing social and environmental accounting and reporting literature (Owen *et al.*, 2000; Larrinaga and Bebbington, 2001; O’Dwyer, 2002, 2003; Spence, 2007).

There are several approaches to study corporate social disclosure (Parker, 2005; Spence *et al.*, 2009; Unerman *et al.*, 2007), most commonly involving stakeholder theory, legitimacy theory, institutional theory⁷ and political economy [of accounting] theory (PEA, PET). This paper draws on the idea of political economy and explores the development of corporate communication in its socio-political context, influencing and being influenced by other members and events in society. Other longitudinal studies analysing corporate social and environmental reporting from a similar perspective [but not dealing with PET as such] include, for instance, Buhr and Reiter’s (2006) analysis of how corporate reporting reflects the broader discourse of environmentalism and its role in society; Laine (2009) and Tregidga and Milne’s (2006) longitudinal analysis of the use of ‘sustainable development’ in corporate reporting; and Camara *et al.* (2009) and Cho’s (2009) analyses of the companies’ responds to stakeholders’ demands and legitimacy threats in their reporting.

The political economy of accounting (Burchell *et al.*, 1980; Tinker, 1980; Cooper, 1980; Tinker *et al.*, 1982; Cooper and Sherer, 1984; Tinker and Neimark, 1987; Gray *et al.*, 1996) links corporate operations “to the bigger picture” and emphasizes the interrelated relationship between the economic and political forces in society. Political economy of accounting “recognises the institutional environment which supports the existing system of corporate reporting and subjects to critical scrutiny those issues that are frequently taken for granted in current accounting research.” (Cooper and Sherer, 1984, p. 208). Furthermore, “the study of accounting should recognize power and conflict in society and consequently focus on the effects or accounting

⁶ The KPMG 2008 survey found out that 65 per cent of Finnish companies (still far below the 80 % world’s average) report on CSR, forest sector being one of the “leader industries”. (KPMG, 2008: 77)

⁷ Whether some of these are theories at all has been under discussion, see. e.g. Gaffikin, 2009; Parker, 2005; Spence *et al.*, 2009.

reports on the distribution of income, wealth and power in society (*ibid.*, 218). It is emphasized that being explicitly interested in the structural conflicts, the classical political economy variant is also used to analyse which interests are promoted or ignored in society [by accounting] (Burchell *et al.*, 1980).

The role of accounting and accounting reports is seen relevant here, as “accounting is essentially practical, it is executed by and it influences the behavior of individuals and classes inside and outside organizations” (Cooper and Sherer, 1984, p. 221). Furthermore, quoting Burchell *et al.* (1980, 5), “what is accounted for can shape organizational participants views of what is important”. Therefore, accounting reports play an essential role in creating a particular construction of ‘the real’ (Berger and Luckmann, 1966; Fairclough, 1989, 1992; Hines, 1988) by defining the boundaries of corporate reporting (defining what is important and what is not; in other words, what is included in the calculations and what is perhaps left out or given minor value) as well as by the use of a particular discourse.

There is a wide acknowledgement that accounting itself is normative, value-laden, and, instead of being socially neutral, and is stated to mask an ideological bias (Zeff, 1978; Burchell *et al.*, 1980; Tinker, 1980, 1985, 1988; Tinker *et al.*, 1982; Tinker and Neimark, 1987; Arrington and Francis, 1993; Miller and Napier, 1993). Furthermore, [positive] accounting has been accused of abstracting a number of social policy issues, like that of distribution of income, from the economic agenda (Tinker, 1980; Tinker *et al.*, 1982). Arnold (1998, p. 666), too, remains cautious on the “objectivist interpretations which abstract accounting numbers from social context and view them as ‘truths’”. This kind of “outsourcing” of all relevant, value-laden and contingent issues in the research design is what creates the naturalizing effect of accounting and make the results seem as objective and ultimate truths.

APPROACH, DATA AND METHODS

Concerned with the “bigger picture”, this study is interested in the broader implications of the reporting. The analysis focuses both on a “traditional” content analysis as well as on the discursive level constructions of corporate social responsibilities. In practice, this entails scrutinizing the texts by focusing on what is said and how is it said, and what is omitted. Quoting Phillips and Hardy (2002) “language does not simply reflect some underlying reality but, instead, has an active role in (re)constructing phenomenon in the social reality” (see also Berger and Luckmann, 1966). What is important is that we achieve a more profound understanding of how corporate practices (re)enforce particular ways of seeing. In other words, corporate “talk” is here understood as not only reflecting, but also renewing social practice as it assists in arranging the world in a specific way that then comes to be accepted as “the taken-for-granted aspects of social life” (see also Fairclough, 1989, 1992).

The empirical dataset consists of the annual reports and standalone CSR reports of two Finnish forestry sector companies, UPM and Stora Enso; from 2000 to 2008⁸. In addition, press releases and other stock exchange news from 2000–2008 were read to obtain a general picture of the operating environment and the financial situation of the companies during the period, and to ensure that no major events with possible bearing on the analysis were omitted. The analysis of the empirical material was an iterative process, beginning with a first time reading to form a general picture of how the reports are. The idea was first to seek possible similarities and differences as well as the rhetoric and argumentation used in reports. The analysis then continued with a special focus on social reporting; for instance on employees, local communities, the restructuring operations and corporate social responsibility in general. The passages discussing these issues were then collected on a separate sheet which was used as a basis for a more detailed analysis of the texts, focusing on what kind of language was used – and how was it used – to talk about these issues⁹. A brief content analysis of the reports was also conducted¹⁰. The reports were thus read through numerous times. The focus was not on counting the number of words and pages dedicated to different issues and themes, though this was also noted, but rather on identifying the main themes and on the rhetoric and discourses used each time. The aim was thus, by analysing the texts with a method resembling that of close reading, to form a comprehensive picture of the social reporting of these two firms.

CONTEXT

Forests are Finland's most important natural resource and often referred to as "Green Gold" and Finland as "standing on wooden legs". The forest sector employs indirectly every tenth person in Finland. (Finnish Forest Industries Federation, 2009) Despite being a relatively small country on a global scale, Finland with some 77 per cent of its entire surface covered with forests is an important supplier of forest products to the rest of the world. The socio-economic importance of the industry has traditionally been immense. The sector strongly supports other industries by acquiring the majority of its resources from domestic markets¹¹. In particular, the industry typically affects regional economies all around the country as the operations of the companies are

⁸ Total of 39 reports. UPM: 16 reports and Stora Enso 22 (23) reports.

⁹ No systematic searches were made tracing specific established words or sentences as the language used to discuss issues relating to the aforementioned themes varies a lot.

¹⁰ Two tables showing the contents of the reports during 2000–2009 were also collected, but due to space restrictions these tables are not included to the final version of the paper.

¹¹ In 2006 it was still said that Finland is more dependent on its forest industry than any other country in the world (WGFPI, 2006).

located near forested areas¹². Therefore the employment and pay as well as the indirect economic impacts of the companies are of great local importance (WGFPI, 2006). Moreover, the forest companies' wood procurement gives work to thousands of forest workers around the country and thus contributes a great deal to the livelihood of the remote areas of Finland. (Finnish Forest Industries Federation, 2009; Finnish Forest Research Institute, 2009)

The first papermills already started their operations in the mid 19th century. The industry has gone through a long and fluctuating path of development. The period of strongest growth took place from the 1950s to the 1970s followed by a series of mergers and acquisitions. Paper production more than doubled from 1980 to 2006 (Finnish Forest Industries Federation, 2009). The financially most successful period for forest industries was in the early 21st century, when the increasingly global operations together with the sound economic situation and price increases helped the forest companies to report almost 20 per cent return on equity.

The role of the paper industry in the Finnish economy has changed significantly since the globalisation of ownership and production really started to boom in the 1990s¹³. This is due to changes in the world economy, but also in the domestic policies. In 1980s, the Government of Finland, as part of the investment-led policy of economic growth, strongly supported the paper industry which, as a consumer of domestic raw materials, was very important to the national economy. Where there were competitive disadvantages compared to other countries, the Government supported the Finnish paper industry by a tax policy encouraging investment, cost efficient energy policy and exchange rate policies. These supporting measures by the Government maintained the high level of investments and the best technology within the industry, and a productivity growth above that of competing countries. The changes in the paper industry since the start of the new millennium are summarised in Appendix 1. (WGFPI, 2006) Since the end of the 1980s the world and the world economy have changed considerably; global politics have supported deregulation, allowing capital, investments, technology and information to move rather freely.

The industry is currently going through the largest-scale and the most radical change in its history (Törmä and Reini, 2008). The downward trend started soon after 2002 and the pulp and paper industry especially has suffered from severe profitability problems ever since. (Finnish Forest Research Institute, 2009) The demand for paper products has decreased in the traditional European markets whereas the Asian and South American markets have grown rapidly. As more than 90 per cent of the production of the paper and paper board industries in Finland is exported (Hetemäki and Hänninen, 2009), Finnish companies have been among those to suffer. The costs

¹² For example, in South Karelia region in southeastern Finland, that is rich in pulp and paper industry, approximately a quarter of the region's GNP in 2003 came from the forest sector (Finnish Forest Industries Federation, 2009).

¹³ In Finland foreign investments were allowed from 1987 onwards, as part of the government platform of the newly elected National Coalition Party -led government.

of transporting paper and paper products especially are relatively high, making it hard to compete with producers closer to the growing markets (Hetemäki and Hänninen, 2009, Finnish Forest Industries Federation, 2009). Moreover, the growing competence of the developing economies together with the relatively high production costs in Finland have made the situation even worse (Finnish Forest Industries Federation, 2009).

The alarmingly low profitability of paper and pulp operations caused the forest companies to start reorganising their production structures and the companies have thus announced series of massive restructuring operations in the name of increased profitability. The production capacity of the paper and paper board industries was the greatest in its history in 2005 (Hetemäki and Hänninen, 2009), but has declined heavily since that and is expected to do so in the future (Hetemäki and Hänninen, 2009). The development is also reflected in the personnel in the industry; as can be seen in Appendices 2 and 3, the restructurings in the forest industries have decreased the work force by more than 20 000 people during the last 17 years¹⁴.

Both companies under scrutiny, UPM and Stora Enso, are among the top five forest industry companies globally (measured by sales) (PwC, 2009) and are listed on the Helsinki Stock Exchange. Together they form the basis of the Finnish forest industry constituting some 70 per cent of the turnover of the whole industry. Financial details of the companies are listed in Appendix 3. The two companies are the results of several mergers and their origins go back as far as the mid-19th century or even further. As part of their restructuring operations, both UPM and Stora Enso have announced several massive profitability improvement programmes resulting in job loss for thousands of people. The total number of UPM's employees diminished by 9 000 from 2000 to 2008¹⁵, Stora Enso's job loss being some 13 000 during the same period of time¹⁶.

EMPIRICAL FINDINGS

This section reports the results of the analysis of Stora Enso's and UPM's reporting. The development of the reporting was classified into three categories according to the way the companies engage themselves in and communicate social responsibilities in their reporting. The empirical analysis of the reports shows how the social reporting rises, peaks and again falls during the period 2000–2008. Naturally, these three separate categories are an author's interpretation and serve to make the development more perceptible to the reader; the boundaries do not exist "in real life". Furthermore, when analysing the data, a special focus was on issues relevant from the perspective of the structural change; issues typically related to employees and the local community (Harte and Owen, 1987; Mäkelä and Näsi, 2010). The results of the analysis are

¹⁴ Looking at the whole forest sector even on a longer run, the sector employed as many as 120 000 people in 1980.

¹⁵ And reduction of 12 000 people from 2001 to 2008.

¹⁶ A reduction of some 17 000 people from 2005.

reported separately for both companies, after which the results are summarized and discussed in the light of the political economy of accounting.

UPM:

2000–2002: Growing interest in CSR reporting

The first year of the period under scrutiny was financially the best in UPM's history. During the first years UPM, like many other companies in Finland at that time, was publishing a 'traditional' annual report together with a standalone environmental report¹⁷. These reports did not explicitly say much about CSR in general, or the social responsibilities of UPM¹⁸.

The first phase, however, is characterised by a growing interest in reporting from a wider perspective and to a more comprehensive group of stakeholders. In the first year of the period, UPM reported about this growing interest:

As the company expands and becomes more international, social responsibility is becoming increasingly important. The company has issued a separate guide outlining its business ethics. (UPM Annual Report, 2000: 9)

[...] in addition to environmental issues, our stakeholder groups are also interested in other areas of our activities. Consequently, we are evaluating the need to combine the Group's environmental report with a new reporting system on social responsibility. (UPM Environmental report, 2000)

According to the quotations the company had faced a growing demand on the part of the stakeholders to be informed about the company's wider activities. Indeed, the following year the company already reported that it had established a new CSR function to cover issues related to this more extensive social responsibility. UPM was now "working to improve its competitiveness in social questions too" (UPM Environmental Report, 2001). The report also hinted that the request had in fact not come from the company itself but was for the purpose of "fulfilling the needs of even the most demanding stakeholders" (*ibid.*).

The start of the 21st century was the time when the concepts of sustainable development and corporate social responsibility started to resurface in the public awareness. Accordingly, in

¹⁷ In addition to the annual report, the company had published seven environmental reports before the release of the first Corporate Responsibility report in 2002.

¹⁸ However, it was said e.g. that "A sense of responsibility is one of the fundamental values in UPM-Kymmene's business operations. One of the aims in acting responsibly is to give the company a competitive advantage so that it is seen as a preferred and desirable business partner, employer and investment. The aim in pursuing sustainable economic growth is to promote people's well-being and prosperity." (UPM Annual Report, 2001: 12)

2001 UPM paid relatively much attention and devoted several pages¹⁹ to what could almost be described as a philosophical discussion about the essence of CSR and sustainability; the “growing concern” over sustainable development²⁰. The company was arguing that:

[...] a commitment to alleviate social and ecological imbalances will earn progressive companies their license to operate and innovate. (UPM Environmental report, 2001).

The tone of the talk sounded severe, and it was claimed that “a total change” was required. UPM also maintained that it is the task of business [among others?] to commit to make this ‘change’ happen. Business was said to be the key player in this change towards sustainable development, as indeed “responsible businesses will drive change and point the direction” (UPM Environmental Report, 2001). And luckily, “the good news is that those who face up to that challenge are likely to prosper” (*ibid.*).

The financial result for 2001 was again highly satisfactory, and, despite the prolonged economic downturn²¹ in Finland, the company looked fairly confidently to the future. During 2002 the profitability of UPM, however, decreased due to the declining demand and market prices, but the company still had a strong cash flow and balance sheet.

The company then published its first standalone CSR report from the financial year 2002. The report focused mainly on reporting in narrative form, as UPM had not [yet] developed any common indicators to measure its success in social responsibilities. However, the company now proclaimed its obligations towards society and fulfilling these obligations was said to be “crucial”. The CEO stated that he was really happy with the fact that:

[...] questions related to the corporate responsibilities were now part of the public debate and that companies were now evaluated not only by economic criteria but also on terms of their business practices and as a part of the surrounding society. (UPM Corporate Responsibility Report, 2002).

As seen here, UPM explicitly discusses its role in society and takes an open stance towards wider corporate responsibility. The company had also signed the United Nation’s Global Compact guidelines and claimed to be striving for “open and transparent” business operations. Overall, the number of issues disclosed related to social responsibilities had increased significantly as the company was now publishing a 50-page standalone CSR report.

¹⁹ Obviously, the number of pages devoted to a certain subject does not necessarily tell anything about the importance of the subject, as we know nothing about the contents of these pages. Some of the pages may be filled only with pictures, some may contain detailed numerical information, and so on. However, an increase/decrease in the number of pages (especially when compared with other information in the document) devoted to a certain subject may indicate an increase/decrease in the importance of the subject seen by the company. (*cif.* Guthrie and Parker, 1989)

²⁰ The chapter was actually a citation/interview of another person and thus is not directly ‘talked’ by the company itself. However, the fact that the company is publishing this kind of text in its report and under its name is a reason to expect that it is actually something that the company stands for.

²¹ Mainly caused by the so called ‘dot-com bubble’.

2003–2005: the “Golden Age” of CSR reporting

The early years of this period were clearly the “golden age” of CSR reporting: the 2003 CSR report is an 80-page report discussing widely how UPM’s business operations affect society, and the various ways in which the company engages with other members of society. It was clearly and explicitly stated that the importance of responsibility had grown in the corporate communication. The first report from this period continued in the spirit that had awakened earlier in the first phase:

Today, companies are clearly perceived as part of the society in which they operate. They are therefore judged not only by economic criteria, but also in terms of their business practices. UPM thus attaches increasing importance to the use of ethically acceptable practices and to meeting its social and environmental obligations. (UPM Annual Report, 2003: 9)

UPM’s mission is to promote both social and economic wellbeing through its innovative products. (UPM Annual Report, 2003: 7)

All this reflects a growing emphasis on [reporting about] social responsibilities. The company claims to have ‘social and environmental obligations’ thus maintaining that it needs to address the needs of society in a wider perspective. Though the rhetoric may rest on ‘business as usual’, the communication indicates that UPM wants to be involved in CSR actions.

It is also evident that UPM engaged more and more with stakeholders. The CSR reports introduced the most important stakeholders as seen by the company, and discussed the interaction with each of them.

The views of UPM’s stakeholders on what constitutes responsible business operations may differ from those of the Company or conflict with one another. Dialogue with the representatives of stakeholder groups facilitates understanding of the reasons behind the differences in viewpoints. UPM aims to ensure that information is freely available on the Group’s operating principles, targets and plans. (UPM Corporate Responsibility Report, 2004: 9)

Further, UPM also emphasized its importance in the local communities, and reported about the direct and indirect impacts of its operation units on the local communities. The motivation for the wider accountability by means of CSR reporting was at least implicitly said to be the increased pressure [from stakeholders] that the company needed to respond to.

UPM is conscious of the impact its production units can have within local communities around the world and takes seriously its responsibility [...]. Many of UPM’s mills were founded in the 19th century, and the local communities have grown and developed around them. (UPM Corporate Responsibility Report, 2004: 9, 12)

UPM’s activities have numerous direct and indirect economic impacts on the well-being of society, for example, through employment, taxes and purchases. Many of UPM’s mill communities have grown and developed around the mills and therefore at the local

level the Company's indirect economic impact may be considerable. (UPM Corporate Responsibility Report, 2005: 14)

The profitability of UPM declined in 2003 although cash flow and balance sheet still remained strong. However, this was also the beginning of a decline in profitability (a steady fall in ROE after the record year 2000, see Appendix 3.) and the changes throughout the forest industry were becoming increasingly apparent. UPM had already needed to start restructuring its operations and to close down the less profitable facilities and operations. The CSR report for 2003 paid attention to this and discussed the need and reasons for a company with a positive financial result and profitable business operations as a whole to downsize its operations and reduce the number of personnel. During this time the rise of the now so common use of the 'no choice' rhetoric emerges when justifying the restructuring operations:

Although difficult decisions were required and the number of personnel had to be reduced, these decisions are necessary. (UPM Corporate Responsibility Report, 2004: 2)

Although not surprising, it is worth noting that in the annual report these measures were introduced in a more positive manner. In terms of shareholder value it was obviously good to take measures to increase profitability, and UPM was said to have "succeeded in improving both cost-effectiveness and production efficiency" (UPM Annual Report, 2004: 4).

Even though the early year(s) of this period were the time for a stakeholder orientation and reporting on the more positive issues, towards the end of the period the tone changed along with the profitability problems the industry was increasingly facing. This was the time to start putting more emphasis on efficient business operations in the corporate reporting. Following the same tone it was now more obvious than ever that:

[...] the main responsibility of the company's directors is to create added value for the company's shareholders and to do it by means of socially and ecologically sustainable practices. (UPM Annual report, 2005: 2, 13)

However, in the CSR report for 2005 the main focus of CSR functions was reported to be occupational health and safety. Not denying the great importance of the health and safety of employees, but simultaneously remembering the difficult times for many individual employees facing unemployment, this report seemed somewhat misleading (see also Johansen, 2010).

To sum up, this period was characterised by a great amount of space dedicated to CSR reporting. This applies especially to the social aspects, namely issues related to employees and the local community. At the beginning of the period, in 2003, the reporting focused largely on the various positive effects of UPM's operations on the surrounding society. Simultaneously with the shrinking profits the tone of the corporate talk changed putting more weight on the economic responsibility to create value for shareholder investments. Regardless of the tone and emphasis, the amount of the reported issues remained fairly large.

2006–2008: *Fading away*

By the beginning of 2006 it had become apparent that “the business environment of the forest industry had permanently changed” and that “changes in the company’s practices were necessary to guarantee cost-efficiency and long-term competitiveness” (UPM Annual Report, 2006: 7). In spring 2006 the company announced a massive profitability programme resulting in a decrease of 3 600 in the number of personnel.

In terms of media attention, too, year 2006 was extremely difficult for UPM. The company was frequently in the media, being criticised especially by the trade union (but also by society at large) infuriated by the drastic downsizing operations. However, when the CSR report for 2006 was published almost a year later, the main fuss had largely abated and, in fact, the report contained only surprisingly little information about the downsizing²². Actually, the length of the report had decreased from 60 pages in 2005 to 48 pages in 2006, of which only some 4 pages were devoted to the effects of the historically dramatic profitability improvement programme with indisputably wide-ranging impacts on society. The company did, however, mention that it had focused principally on supporting the vitality of the region suffering most redundancies.

Despite the tough economic times, UPM was “committed to carry out business in a responsible manner” (UPM, Environmental and Corporate Responsibility Report 2006: 8). Whatever this meant remained vague. Instead, the company was asking for an “open-minded attitude toward improving efficiency and securing sustainable development” (*ibid.*: 4). The overall attitude by the company seemed to be consistent with the managerialistic perception of CSR, as the business was said to “recognise and manage all possible social and environmental impacts” (UPM Annual Report, 2008: 66).

The decreasing amount of space devoted to CSR issues in 2006 subsequently proved a step towards an integrated annual and CSR report.

Instead of publishing a separate environmental and corporate social responsibility report for 2007, UPM has merged that content into this annual report. The environmental and social responsibility issues are essential to UPM’s operation and they naturally complement financial reporting. (UPM Annual Report, 2007: 5)

Interestingly, this practically meant the end of CSR reporting as such²³. The first integrated report for the financial year 2007 contained much less information about social issues, and it basically included only few pages about the personnel, just as in the former conventional annual

²² However, the company announced several press releases along the year 2006 to inform about the proceeding of the program and about the situation of the redundant employees. These were reported mainly in a positive light.

²³ It might expected that CSR reporting is moving to the Internet (Gallhofer and Haslam, 2006), and the UPM web pages were thus quickly scanned to see whether this is true (to a large extent). However, (in December 2009) there is only little (two paragraphs in a very general level) information about e.g. local communities in the company web site. And more importantly, the annual reports 2007 and 2008 do not advice readers to turn to the website for more information.

reports. The other areas normally included in corporate responsibility (or sustainability) reports, e.g. sections on the environment and corporate governance, remained unchanged²⁴. All the other information about the social responsibilities and the role of UPM in its business environment, e.g. discussion about the importance of UPM to the local communities was gone. Overall, the words 'social' or 'responsibility' were now mentioned only a few times²⁵, and no discussion on the social responsibilities was presented. The local community was not mentioned at all in the 2007 and 2008 reports²⁶. The same kind of reporting format followed in 2008, with only 4 of the total of 142 pages about employees and practically nothing about [other] social responsibilities.

Even though years 2006 and 2007 proved financially quite good and showed some improvement on previous years, the general economic situation and expectations for the future continued poor. In 2007 and 2008 it was evident that priority was explicitly given to the profitability of operations and to shareholders. Despite the so-called integrated report, the CEO's letters were clearly targeted at shareholders. They discussed financial targets and dividend policies –undeniably important, but still clearly in the interests of one stakeholder group only. A new, perhaps more positive concept of 'streamlining' was often used in place of the previously used concepts of 'downsizing' or 'restructurings', and there was no single mention of these operations having negative implications for anyone.

However, in contrast to the CEO letters, the employee sections of the report disclosed more detailed information about the closing of facilities than did the earlier reports. The 2008 report also disclosed information about the launch of a campaign supporting wellbeing at work. Interestingly, though, the campaign encouraged the employees to take care of themselves. The company also reported about an 'Employee Engagement Survey' revealing that employees felt uncertainty about the future, but nothing about the possible measures and targets to ameliorate this situation.

To sum up, a rising interest in CSR reporting was evident in the beginning of the period. The growing awareness was then voiced by the release of a first corporate social report proclaiming growth in the amount and variety of issues reported. In spite of this palpable and promising interest, CSR reporting did not continue its development in the same direction but instead started to decrease. We return to these findings in the discussion section.

²⁴ The companies are now obliged to report on Corporate governance.

²⁵ In sentences like "UPM is strongly committed to continuous improvement in economic, social and environmental performance."

²⁶ Except for one brief sentence in both the reports about cooperation with the local authorities/government in providing aid for redundant employees.

*Stora Enso*²⁷:

The development of the social reporting of Stora Enso follows a pattern similar to that of UPM. Stora Enso however reports on its sustainability performance in a somewhat different and more comprehensive manner; the disclosed information is wider in terms of the variety of issues disclosed as well as the amount of pages devoted to these issues than that of UPM. Unlike UPM, the reports by Stora Enso have a third-party assurance ever since the first standalone sustainability report of 2003²⁸. Stora Enso has been praised for its reporting and stakeholder communication; in 2000 it won the competition for best annual report in Finland as well as in Sweden (SE, 2001a, b), and it has also been ranked as having the best company web site in Finland (SE, 2001c).

2000–2002: Global interest in CSR

As for UPM, 2000 was financially very successful for Stora Enso, and the company reported the best quarter results since the merger of 1998. For the beginning of the decade Stora Enso also published a ‘traditional’ annual report and a standalone environmental report. In the annual report the company, however, took an open stance towards responsibility and sustainability, discussing it also [briefly] in the CEO letter. Responsibility was included in the company values, indicating that the company “complies with principles of sustainable development” (SE Annual Report 2000: 4). Moreover, the strategy of the company was to “create shareholder value by conducting business in a profitable and socially responsible way” (*ibid*).

There were also differences in the way the companies described their operations on the local-global continuum. Where UPM was more slowly absorbing the parlance of global business, Stora Enso was already from the beginning talking about global operations and global focus. Stora Enso manifested itself as “a truly global company”. The consequences of this global approach were also considered from a moral perspective:

[...] the global scale of this value chain at least theoretically gives us considerable freedom of action, for instance through investment and disinvestment opportunities. We can react to changes in the business environment by relocating the company's activities, either geographically or within the value chain. But this freedom has to be exercised with responsibility. [...] A global company must affirm its overall legitimacy through all its actions, and show responsibility even in the toughest business decisions. This is also vital in engineering a sense of pride among our own employees. (SE Environmental Report, 2000: 5)

Already in 2001 Stora Enso discussed the changing role of forest industry with its consequences to the local communities. It first acknowledged its historically important role by saying that:

²⁷ Stora Enso's reporting has also been in the focus of few other studies; see e.g. Joutsenvirta (2006, 2009) and Laine (2010).

²⁸ Stora Enso had produced environmental reports since the merger in 1998 (both the merged companies, Stora and Enso had done it for some time before the merger too).

Local communities have often grown up around forest industry units. These communities have been dependent on the mills – not only as an employer, but also as a provider of many social services. (SE Annual Report, 2001: 14)

However, in line with the global focus of Stora Enso, the text continued:

The communities have, however, developed and society has taken over social services. The forest products industry has shifted from labour-intensive to capital-intensive. Today large-scale units producing for the international market are typical of a business formerly characterised by many small mills. In this process some communities have lost and others gained. Structural changes may also have undesirable impacts at a personal level, underlining the need for responsible management. (SE Annual Report, 2001: 14)

Although in its annual report 2000 the company was already expressing concern over social responsibility, during these first years Stora Enso was becoming increasingly involved with a wider approach to CSR. The company already had established relations with the traditional stakeholders, but was now developing its social responsibility.

Where social questions are concerned, we are now at the beginning of an important process. [...] We are now looking forward to working in closer dialogue with our other stakeholders – to find ways to set targets and report on the social aspects of sustainability. (SE Environmental Report, 2000: 6)

Then again, the company also emphasised that there was actually nothing new there, as “although systematic monitoring and management tools concerning social, welfare or ethical issues are not yet in place, Stora Enso has already been looking closely into these issues” (SE Environmental Report, 2000: 6). And again in 2002 they reminded readers that “environmental and social responsibilities have been important to us for a number of years” (SE Annual Report, 2002: 6).

Interest in responsibility issues continued to grow and was even more explicitly articulated in the annual report for 2001. Sustainability was mentioned several times in the CEO letter, and CSR was presented at length with 6 pages right after the CEO letter. The CSR principles were reviewed in 2001, and they now focused on the social and socio-economic aspects of sustainability, “because the Group already has a strong record on financial performance and environmental management systems, the other two elements of sustainability” (SE, 2001). Hence, the focus was now explicitly on social responsibility. Stora Enso also introduced the first indicators for monitoring CSR; “the first five indicators shed light on working conditions, diversity, communication and social and economic impact” (SE Annual Report, 2001: 15). These actions towards increased CSR reporting took the form of a 4-page CSR section in the annual report for 2001 and a 20-page long separate CSR section in the report for 2002. Yet the first standalone sustainability report was published for 2003.

The financial result for the “challenging year” of 2001 was said to be “satisfactory” (SE Annual Report, 2001: 8), as the company was “in the face of difficult markets” (SE, 2002). In 2002 Stora Enso’s financial position and balance sheet strengthened despite the continuing challenges

and shrinking profits. In 2002 Stora Enso had taken measures to improve its profitability by restructuring its operations and stated that:

For the individuals concerned, the threat of losing one's job or relocation are disruptive. As a result, Stora Enso always tries to take a long-term approach to planning and minimising the negative impact involved. Stora Enso prioritises responsible action in these areas. (SE Annual Report, 2002: 38)

Like UPM, Stora Enso, too, was engaging itself in a discussion over what social responsibility meant to it. The concept appeared to be difficult to implement as it meant “different things, and different priorities, for different people” (SE, Annual Report, 2002: 34).

Getting the balance right between taking account of local culture and corporate principles is key. We have to realise that the way we look at things is not universal. And that common sense and a willingness to listen are important wherever you are. (SE Annual Report, 2002: 34)

The thinking resulted in the company stating that, by addressing corporate social responsibility issues, Stora Enso wants to:

[...] underline that its business practices are responsible, that its communication is transparent and based on dialogue, that it is a respected member of the surrounding community, and that it respects human rights wherever it operates. (SE Annual report, 2002: 35)

The company also stated that [by committing to CSR] it was “on the right road” (SE, Environmental Report, 2002: 3), and emphasised that committing to CSR was something to keep up with, even in difficult times:

You have to be ready to go the whole course when you commit yourself to something in the area of social responsibility, and not give up half way when things start getting tough or complicated. That means understanding that commitment must mean action too. (SE Annual Report, 2002: 35)

Thus, for Stora Enso, too, this first period under scrutiny included growing and more explicit interest in CSR, as well as some “soul-searching” on the essence of the social responsibilities and Stora Enso’s role in the surrounding society. The outcome of this deliberation then was a statement: [CSR is] “an evolution, not a revolution” (SE Annual Report, 2002: 36).

2003–2005: Ensuring sustainability in changing markets

This period marked something that might be called a peak or even a [momentary] stabilisation of the social and environmental reporting. Stora Enso reported on a wide range of issues including employees, environment, philanthropy, community involvement, and reduction of workforce, to name but a few. The first standalone sustainability report was published for 2003, increasing the length of the report from 20 pages to 60 pages. During this period the Sustainability Report ended up being a lengthy, impressive-looking document presenting the wide range of the effects of

Stora Enso's operations on different stakeholders. "Getting a wider perspective" was undeniably a suitable title for this kind of reporting.

Typical for Stora Enso's reporting during this were comprehensive descriptions of how the company was engaging with the different stakeholders and local communities with which it operated. For instance, Stora Enso became UNICEF's first global corporate partner in basic education, and this was claimed to be "the best kind of corporate responsibility" (SE, 2004). Despite the global focus, restructurings and earlier emphasis on the changed role of its operations for local communities, Stora Enso still stressed its importance to the local communities stating that:

Stora Enso represents an industry that has traditionally played and still plays a major role in its home countries' economic development. Stora Enso's mills are often located in small communities, where they are major employers, taxpayers and significant business partners for many local enterprises. Understanding the relevance of the economic aspects of sustainability involves looking at local issues, and considering local realities. (SE Sustainability Report, 2004: 44)

Stora Enso also reported on the importance of "being a responsible member of local and global society":

Stora Enso aims to be a responsible member of all the communities where the Group operates. Stora Enso generates welfare within these societies by paying wages and taxes, by sourcing goods from local suppliers, and through voluntary contributions to the community. Other aspects of Stora Enso's responsibility towards local communities include minimising the environmental and social impacts of the Group's operations, complying with all laws, regulations and permits, and co-operating with local communities. Commitment to transparent reporting and dialogue is also an important element of responsibility towards society and all Stora Enso's stakeholders. (SE Sustainability Report, 2003: 9)

In the annual report for 2003 it was stated that Stora Enso wanted to stand out in sustainability, and that the sustainability governance was reorganised to ensure looking at the 'whole picture'. Balancing the different aspects of sustainability was considered feasible, as "conflicts of interest become easier to resolve if the focus is shifted away from short-term thinking" (SE Sustainability Report, 2003: 6).

The more you think in decades rather than in quarters, the more you realise that economic, ecological and social interests in a company are no longer in conflict. (SE Sustainability Report, 2003: 6)

Similarly to UPM, health and safety was also prioritised by Stora Enso, and employee well-being continued to be a priority area in sustainability in 2003 and 2004. However, and as in UPM reporting, too, all that was reported in this section was about minimising the risk of accidents and

absences from work, with only one sentence²⁹ about the mental wellbeing of employees, an area that becomes more and more important during times of insecurity caused by the changing work environment and risk of losing one's job (Ferrie *et al.*, 2008).

Turning focus on financials, the profitability continued its downturn for this period. For 2003 and 2004 Stora Enso's operating profit was weak, and the result for 2004 was described as very unsatisfactory. Despite investments in Latin America and China, Stora Enso's main market was still in Europe, where the company was facing serious challenges, and it was said to be "vital to secure better financial performance and long-term competitiveness" (SE, 2005a). A new labour agreement was welcomed by Stora Enso as it was believed to help to ensure the long-term competitiveness of the Finnish forest products industry (SE, 2005b). The difficult market situation was also reflected in Stora Enso's reporting. The seriousness of the market situation was clear, and Stora Enso had also had to act to ensure the future profitability. In 2005 Stora Enso announced two profitability improvement programmes, which were also said to represent:

[...] major challenges for the Group's sustainability work, since several thousand employees will be affected in the short-term. (SE Sustainability Report, 2005: 2)

Stora Enso also discussed the consequences these programmes might have in terms of responsibility:

How restructuring is carried out becomes even more important when a company is a major employer and buyer of services and commodities in a relatively small community, as is often the case in the forest industry. How job losses are communicated and perceived, and how restructuring is conducted, will have a major effect on both employees and external stakeholders and will thus significantly influence the performance and well-being of employees throughout the entire organisation, as well as in the units directly involved. (SE, Sustainability Report, 2003)

Responsible reductions in workforce at Stora Enso are based on two over-arching principles: respect for the individual, and sensitivity to employees' needs. Background, reasons and the rationale for reductions in the workforce are to be clearly communicated to all employees. Decisions related to restructuring must be unbiased, and based on openly communicated criteria. (SE, Sustainability report, 2005: 27)

Like UPM, Stora Enso nevertheless did not see any choices to lay-offs, as "occasional restructuring is unavoidable in most industries". However, it was made very clear that:

[...] even in this currently difficult situation, Stora Enso will not compromise on the Group's ambitious sustainability objectives. [...] In spite of this challenging economic situation, we will naturally be continuing our comprehensive work around environmental and social responsibility (SE Sustainability Report, 2005)

²⁹ "Challenges for 2006": "Maintaining the motivation and well-being of personnel while the Profit 2007 and Asset Performance Review are leading to personnel reductions." (SE Sustainability Report, 2005: 29)

2006–2008: Change of focus

Stora Enso's financial result for 2006 was boosted by the profit improvement actions (SE, 2007). Even though the result improved slightly it was still below targets, and the measures to increase profitability continued. It was said that 2007 would go down in history "as a year of change for the company" (SE Annual Report, 2007: 8). The company appointed a new CEO from March 2007 onwards, and he firmly reconfirmed the 13 per cent ROCE target [that had long remained unchanged]. This was justified by saying that "it is critical for all of our employees to understand that the starting-point of value creation is cost-of-capital returns, not returns just above zero" (SE Annual Report, 2007: 5).

Compared to UPM, the greater effort invested in CSR reporting by Stora Enso in general remained the same during this last period under review. Yet the importance of CSR issues seemed to be trailing away similarly as in UPM's reporting. For Stora Enso it was articulated explicitly:

Since the formation of SE, there have been major changes in the global business environment. SE's approach to sustainability and the standards and tools used around the world have also changed. For these reasons, we decided it was time to revise our environmental and social responsibility policy. (SE; Sustainability Report, 2006)

And continued:

The new policy now highlights economic responsibility in addition to previously prioritised environmental and social aspects of sustainability. (SE; Sustainability Report, 2006)

It was therefore obvious that the focus had moved from the social aspects of CSR to a clear priority of the economic responsibility, at the expense of the other aspects of sustainability³⁰. The changed priorities were also reflected by placing the section discussing the asset review and profitability programmes right after the CEO letter.

On the financial year 2007 Stora Enso, too, published only one integrated report. The focus of the report was clearly on the economic responsibility [to shareholders] and a great deal of space was devoted to discussing the challenging business environment. The sustainability section of the report consisted of 33 pages compared to the 52-page long standalone report from the previous year. The length of the report had thus decreased by more than one third. Nonetheless, the report still discussed some of the social issues in detail, including the restructurings and the media coverage they had gained, as well as the measures Stora Enso had taken to help the employees who had lost their jobs.

Undoubtedly 2008 was disappointing and "tremendously difficult" (SE Annual Report, 2008: 7). However, compared to the 'tough' talk by the CEO in 2007, the CEO letter in the 2008 report was replaced by a dialogue by the CEO and the CFO. Their talk was characterised by references to employees as "our people", and they wanted to make sure that they took care of

³⁰ It is worth noting that the importance of the environmental matters seemed to maintain its importance. For instance, Stora Enso was praised for its climate change reporting.

“each person individually”. Despite this ‘soft’ talk emphasising the company taking care of the ‘whole family’, the dialogue still ended with an individualistic and competitive tone emphasising the continuous development:

I can't guarantee anyone's job, but my commitment to my own people is that every day you come to work you will learn more, increase your value, become more employable and become more valuable to yourself. We compete in a competitive global market; from the sales force to the mills, every person faces this. (SE Annual Report, 2008: 8)

We have moved from a regulated world of nation states with borders to big open markets with non-tariff borders, much less regulation, billions of new consumers and new competition. This is better for consumers as a whole, but the flipside of it is that companies and people must change and become flexible. (SE Annual Report, 2008: 13)

The Annual Report was the only report from 2008 that was printed, and it was said to include general company and sustainability information. However, the disclosure about the social responsibilities was minimal. Employees and restructurings were reported in six pages, and in addition there were some references to local communities in emerging markets like in China and Brazil, but nothing about Finland. Interestingly, though, Stora Enso was now publishing a standalone Sustainability Performance Report for 2008. The report, however, was only available in pdf format, and was provided in two languages: English and Portuguese³¹. The 37-page long report focused mainly on environmental information with six pages on social responsibility.

As can be seen from the findings reported above, the same kind of pattern applies for Stora Enso and for UPM. At the beginning of the reporting period under review an increasing interest in social and environmental reporting could be noted, which then peaked in the middle of the period scrutinised. Finally, in line with the tightening markets, the economic responsibility [towards the shareholders] had taken over the priority of reporting. These findings are discussed in detail in the next section from the socio-political perspective of political economy of accounting.

SUMMARY AND DISCUSSION

The study reported the development of the social reporting of two Finnish forestry sector companies, UPM and Stora Enso, in the time of 2000–2008. Even though there were apparent differences in the social reporting of these two companies operating in the same industrial sector, the development of the reporting by both the companies followed a similar path. Though perhaps over-simplistic, the categorisation for three periods was clear. The explicit interest in CSR reporting started at the beginning of the 21st century, and in the first years both the companies were pondering on the nature of their social responsibility and their role in the surrounding

³¹ The fact that the report is available (only) in Portuguese may be related to the much debated production mill in Brazil.

society. Social reporting then peaked in the middle of the period studied. After this, however, CSR reporting started to decrease, seemingly echoing the difficult market situation the companies were facing. Simultaneously the emphasis turned to financial responsibility [towards shareholders]. Finally both the companies published an integrated annual and CSR report, combining social reporting with the traditional [financial] reporting. However, economic reasoning dominated over social responsibility in these “integrated” reports, and the number of pages as well as the variety of issues covered in social reporting had substantially decreased. As noted, the development of social reporting in the period studied was similar for both the companies.

Turning attention to the language use in the reports, the findings are similar. The early years were a time of high level expectations on corporate social performance (Elkington, 2004, see also Laine, 2009). As a response both companies started to rely increasingly on the “responsibility discourse” in their reporting. They also discussed the various ways they took care of stakeholders and bore the responsibility for the impacts of their operations on society at large. This responsibility discourse was characterised by a moral concern for the wellbeing of society (see also Livesey and Kearins (2002) and Tregidga and Milne (2006) about ‘caring companies’). However, towards the end of the period the discourse of social responsibility was replaced by the emphasis on economic [financial] responsibility; responsible business was “based on a strong financial position and a good competitive edge” (UPM 2006: 5). It became clear with the increasing emphasis on the profitability discourse that in a global capitalist market society it is the interests of the shareholders the companies prioritise.

If financial accounting and reporting were to reflect issues and values important to corporations (Larrinaga and Bebbington 2001, p. 281), then a literal interpretation of the findings of this study would state that what we see here is the decreasing importance of social responsibility. This is interesting especially as in the beginning the corporations made comments about “meeting their social and environmental *obligations*” and “not compromising the ambitious sustainability objectives”. As stated by Boyce (2008), the real meaning of responsibility becomes contested in situations where the market imperatives are challenged by competing social and environmental concerns. Even if we acknowledge that reporting does not necessarily reflect practice, all the evidence seems to be for the dominance of the market imperative over social responsibility. Hence the study at hand adds to the series of papers (Adams, 2002; Buhr, 2002; Gray *et al.*, 1996; Milne and Gray, 2002; Unerman and Bennet, 2004) reporting on the findings that, despite perhaps talking differently, in practice, business usually protects the interests of the shareholders.

Political economy of accounting is explicitly interested in the relationship between political and economic forces in society. In particular, it focuses on effects of accounting reports in the distribution of income, wealth and power in society (Cooper and Shearer, 1984, p. 218). This study shows an example of “how accounting reports are used in situations of economic and political conflict” (*ibid.*, 224). The restructuring of the forest industry in Finland has severe consequences to the employees, local community and society at large. Even in the corporate reporting the

companies acknowledged that there are differing viewpoints and conflict of interest and that it is important to take these into account. However, the corporate reporting during this period of massive change showed an explicit emphasis on one stakeholder only, that of shareholders. The disclosure was mainly used to justify, naturalize and universalize the interests of shareholders.

Harte and Owen (1987) discuss the absence of the [full] costs of unemployment imposed to the community in the reports about corporate restructurings. Here, too, it was clearly acknowledged that there was hardly any indication of the contribution of the companies to these wider costs of restructurings that are now considered as externalities and left for society to bear. As argued by Harte and Owen (1987, 124), there is “absent of publicly available information concerning the social and economic impact of individual plant closure decisions consequent upon a narrow concentration on shareholder’s interests” (see also Mäkelä and Näsi, 2010). Furthermore, financial criteria is shown to have become the only means to evaluate the corporate performance and the closure decisions are made on the criterion of private profit rather than on social value of production; “just because a plant is not profitable for an employer to operate does not mean that it is not in society’s interest for it to continue in production” (Harte and Owen, 1987, p. 124).

In the corporate disclosure the restructuring decisions were justified as being ‘necessary’, ‘economically responsible’, and thus, universally beneficial. The negative impacts of restructuring operations, the massive lay-offs, were presented as crucial and unavoidable (see also Rhodes *et al.*, 2007). Finally, the companies claimed they contributed to the social wellbeing through a new [lighter] organisation structure and improved efficiency, as stated by the CEO of Stora Enso: “Today, I believe, the divestment was the right thing for all our stakeholders” (SE Annual Report, 2007: 8).

Furthermore, analysing the discursive practices³² of the companies in the period under observation we see how the companies seem to distance themselves from their historically traditional role in the Finnish economy and local communities, and present themselves as global companies with global responsibilities. This does not happen explicitly, but the focus of the talk changes; in the early years the companies emphasise their traditionally important role in the Finnish communities, but during the end of the period they stop talking about these Finnish communities and report about their activities in Asia and South America instead. Particularly, the companies do not make any explicit statements about [the importance of] their stakeholders in each market area, but it is this implicit ‘game’ of inclusion and exclusion that varies through years and shows what is considered relevant.

In the light of a political economy of accounting this study showed how the corporate social reporting paints a particular picture of the company and its responsibilities. Accounting language and calculations exclude certain issues, for instance the wider societal impact of plant closure, and abstract numbers from their social context obscuring the social and political consequences of this

³² Based on Alvesson and Kärreman (2000), “discursive practices” are all the talk, text, writings, argumentation and representation in general.

massive restructuring. Despite the clear differences in the opinions of different stakeholders, the corporate accounts silence any conflict by stating that finally, the closures are “the right thing for all”. It is by these kinds of exclusions of the political and naturalization of the power relationships and status quo that accounting creates an illusion of a neutral, value-free discipline that supports the unitarist notion of mutual interests between all corporate stakeholders.

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Appendix 1. The changing position of the Finnish paper industry and its competitive Advantages (WGFPI, 2006, p. 25)

Pre-1990 situation	Post-2000 situation
Competitive advantages <ul style="list-style-type: none"> • High level of investment → latest available production technology → rapid increase in productivity → technological edge over most competitor countries • Well-educated workforce • Engineering expertise • Low financing costs (centrally determined interest rate, occasionally negative real interest rate) • National industrial policy supporting investment (tax policy, forest policy) • Profitability supported through exchange rate policy (devaluations) • Relatively low energy prices • Successful product strategy (high value added) supported profitability and growth • Strong forest cluster (engineering industry, consultancy, services, forestry) 	Competitive advantages <ul style="list-style-type: none"> • Well-educated workforce • Know-how • High level of energy self-sufficiency • Strong forest cluster
Competitive disadvantages <ul style="list-style-type: none"> • High price of wood • Distance from markets (transport costs) 	Competitive disadvantages <ul style="list-style-type: none"> • High price of wood • Distance from markets • Low level of investment • Slowdown in consumption growth in traditional markets

Appendix 2. Employment in the Finnish forest industries.

Employees in Finnish forest industries													
	1980	1991	1992	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
pulp & paper		46,000	46,000	40,000	38,000	37,000	39,500	36,200	34,400	35,900	34,700	29,000	28,000
wood products		36,000	32,000	32,000	34,000	33,000	31,900	31,300	30,900	33,200	32,000	33,000	29,000
Total	120,000	82,000	78,000	72,000	72,000	70,000	71,400	67,500	65,300	69,100	66,700	63,000	57,000

Appendix 3. Key financial figures for UPM and Stora Enso

Stora Enso and UPM; key figures 2000–2008 (MEUR)									
Stora Enso	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales	13,017.0	13,508.8	12,782.6	12,172.0	12,396.0	13,187.5	14,593.9	11,848.5	11,028.8
Operating profit	2,371.3	1,489.9	-151.6	471.0	706.0	-59.8	623.8	176.9	-726.6
ROCE (%)	20.7	10.7	-1.6	4.0	6.3	-0.5	5.4	11.3	3.4
Net profit	1,435.0	926.3	-222.2	138.0	740.0	-111.1	585.0	-212.4	-674.7
Personnel*	41,785	44,275	43,853	44,264	43,779	46,166	45,631	36,137	33,815
UPM	2000	2001	2002	2003	2004	2005	2006	2007	2008
Sales	9,583.0	9,918.0	10,417.0	9,787.0	9,820.0	9,348.0	10,022.0	10,035.0	9,461.0
Operating profit	1,717.0	1,614.0	803.0	352.0	639.0	318.0	536.0	483.0	24.0
ROCE (%)	17.1	13.5	8.8	5.6	6.3	3.4	4.7	4.3	0.2
Net profit	1,366.0	955.0	550.0	368.0	958.0	261.0	338.0	81.0	-180.0
Personnel	32,640	34,463	36,866	35,751	34,815	32,949	31,039	28,246	26,017

A CEO with many messages

Comparing the ideological representations provided by different corporate reports

A reprint of an article previously published in
Accounting Forum

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Reference to the original publication: Reprinted from Accounting Forum (Vol 35 No. 4, pp. 217–231), Mäkelä, H. and Laine, M., A CEO with many messages: Comparing the ideological representations provided by different corporate reports, Copyright (2012), with permission from Elsevier.

Acknowledgements: The authors are grateful for the constructive comments provided on earlier versions of the paper by the two anonymous reviewers and the whole editorial team. They would also like to thank Virginia Mattila and the Accounting Forum language editing services for the help with the English language. Financial support provided by the Finnish Foundation of Economic Education, the Finnish Cultural Foundation, the Finnish Work Environment Fund and the Marcus Wallenberg's Foundation for Business Studies is also gratefully acknowledged.

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A CEO with many messages. Comparing the ideological representations provided by different corporate reports

Abstract

This study analyzes how corporate reporting can be used to reinforce particular worldviews in the ongoing discursive debate over sustainability. The use of language is compared in CEO letters from two types of disclosures: the annual and sustainability reports of two Finnish companies during 2000–2009. The analysis is based on Thompson's (1990) schema regarding the modes of ideology. Significant differences are noted; the CEO letters in the annual reports prominently use the economic discourse of growth and profitability, but they rely on the 'well-being' discourse in the sustainability reports. Despite the difference in discourse, by using different forms of ideological strategies, both types of disclosure serve the dominant social paradigm. The findings presented in this study highlight the need to further develop corporate sustainability reporting practices.

Keywords: Corporate disclosure, Sustainability reporting, CEO letters, Discourse, Ideology

1. INTRODUCTION

The relationships between business, society and nature appear to be under increasing scrutiny (e.g., Porritt, 2005; Victor, 2008). Global environmental problems are considered to be more challenging now than ever before (e.g., Meadows, Meadows, & Randers, 2004), and some commentators have voiced concerns over whether the current form of capitalism delivers long-term sustainable well-being to society (e.g., Fournier, 2008; Jackson, 2009; Latouche, 2009). Likewise, the role of business in societies' pursuit of sustainability continues to be debated (e.g., Newton & Harte, 1997; Prasad & Elmes, 2005). Simply put, business proponents (e.g., Holliday, Schimdhainy, & Watts, 2002) argue that corporate activities and business mechanisms are efficient ways of reconciling social, ecological and economic issues; conversely, those with a critical view (e.g., Beder, 2002) maintain that the quintessential profit imperative of the capitalist logic always remains hegemonic, and therefore, financial concerns take precedence over social and environmental concerns.

Accordingly, there is a great demand in contemporary society for companies to report on the social and environmental impacts of their operations to various stakeholders. Indeed, most large companies now publish sustainability (corporate responsibility)¹ reports (KPMG, 2008), through which the organizations communicate their views and activities regarding social and environmental issues. Sustainability disclosures have also become an integral element of the business discourse on sustainability. Their popularity has rapidly increased, and their mere existence is at times used as an indication of corporations' responsibility and benevolence. The quality of such reporting has, however, been challenged. These corporate disclosures are considered to offer a biased picture of business activities, as the corporations do not report on the whole range of their activities in a comprehensive manner (e.g., Cho, 2009; Tinker & Neimark, 1987). The current practice of corporate-sustainability reporting has been accused of being in line with the 'business case' of CSR/sustainability (Larrinaga-Gonzalez & Bebbington, 2001; O'Dwyer, 2002, 2003; Owen, Swift, Bowerman, & Humphrey, 2000; Spence, 2007) and, hence, unable to respond to the call for a more comprehensive way of ensuring the well-being of society. It is thus disputed whether the disclosures are of sufficient quality to provide the transparency that has often been called for (see Gray, 2010; Lehman, 1999; Spence, 2009). Hence, despite the wide-ranging field of literature on corporate (non)disclosure, there is a need for further research on both the societal role of these disclosures and the ways these practices can be further developed.

Milne, Tregidga, and Walton (2009) provide a concise synthesis of different social paradigms regarding the environment and development. Drawing on a wide-ranging review of the literature, they identify two major social paradigms: the dominant social paradigm, which is based on frontier economics and maintaining the status quo, and the new environmental paradigm, which calls for

¹ We are aware of the varying and often confusing uses of these concepts. However, for the sake of simplicity, we will from now on only use 'sustainability' to refer to all environmental, corporate-responsibility and sustainability issues.

biocentric values and a major social transformation. Moreover, in the middle of this dichotomy, they position “the middle ground of sustainable development.” This is the terrain in which the alternative approaches regarding the reconciliation of the social, economic and ecological are presented and debated. Our paper joins this “socio-environmental dialectic to resolve the ongoing conflict between the production-expansion thesis and its ecological antithesis” (Milne, Tregidga, & Walton, 2009, p. 1218). Further, Milne et al. (2009) argue that different social paradigms, such as the dominant social paradigm, can also serve as ideologies because they also serve to legitimize and justify particular courses of action. Moreover, Milne et al. call for further interpretations regarding how organizations use symbolic forms to represent both themselves and their activities in the “ongoing discursive and ideological contest over environment and development” (p. 1220).

This is the area of study towards which our paper seeks to contribute. In sum, this paper seeks to provide insights into how different forms of corporate reporting can be used to reinforce particular worldviews (see Eagleton, 1991; Thompson, 1990). In particular, we seek to shed light on the role of sustainability disclosures within the “socio-environmental dialectic” (Milne et al., 2009). Corporate sustainability disclosures are one example of organizational communication in which symbolic forms and language are used. To achieve our objective, we compare the use of language in two types of corporate disclosures: annual reports and sustainability reports. In our analysis, we focus on arguably the most powerful and influential type (Amernic & Craig, 2004; Amernic, Craig, & Tourish, 2007, 2010) of corporate reporting: CEO letters. By limiting the dataset to CEO letters, we are able to provide a more in-depth analysis of the linguistic features present in the texts. Our dataset thus consists of the CEO letters appearing in the annual reports and in the standalone sustainability reports of two Finnish companies over a ten-year period 2000–2009. To identify the ideological features of the disclosures, we base our analysis on Thompson’s (1990, see also Ferguson, Collison, Power, & Stevenson, 2007, 2009) schema regarding the modes of ideology.

The structure of the paper is as follows. We begin by discussing the role of corporate-sustainability reporting in society. Next, we focus on ideology by briefly introducing the theoretical background of the concept and by elaborating on Thompson’s (1990) schema, on which we rely in our analysis of CEO letters. This is followed by the presentation of our data and methodology. Our empirical findings begin with a description of contextual features and an introductory section describing how CEO letters appearing in annual reports differ from those appearing in sustainability reports. Thereafter, we present our empirical findings by framing them in the context of economic, social and environmental dimensions. The closing chapter discusses the findings and concludes the paper.

2. THE ROLE OF SUSTAINABILITY DISCLOSURES

It is well known that the volume of corporate social and environmental disclosure in its various forms has risen rapidly over the last two decades (e.g., Unerman, Bebbington, & O'Dwyer, 2007). To communicate their perspectives, organizations use various media, including corporate websites, traditional annual reports and stand-alone environmental/sustainability/CSR reports. These sustainability reports, as they are often referred to, discuss the impacts of the corporation's activities from different perspectives. Such disclosures are, to a large extent, voluntary but have nevertheless become a widespread phenomenon in the business world (KPMG, 2008). Broadly diffused reporting standards, such as the Global Reporting Initiative, and other proposed schemes, such as the Connected Reporting Framework (see Hopwood, Unerman, & Fries, 2010), further highlight the position of corporate-sustainability disclosures in contemporary society.

The basic argument for social accounting has been the need for increased accountability to facilitate the creation of a more just and participatory society (see Gray, 2010). Spence (2007) argues that the principal argument for corporate-sustainability disclosures lies in their emancipatory and radical possibilities. Likewise, Lehman (2002, 1999) maintains that information provided through social and environmental disclosures can facilitate informed public dialogue and debate through civil institutions. Information beyond traditional financial disclosures has been considered to provide corporate stakeholders further opportunities to monitor the organization's activities. Indeed, the development and diffusion of sustainability-reporting practices has increased the amount of information corporations disclose regarding their activities.

The role of these disclosures is nevertheless disputed. There is a firm body of research suggesting that corporations engage in sustainability reporting mainly to consolidate their own positions and private interests (see, e.g., Cho, 2009; Laine, 2009; Tinker & Neimark, 1987; Tregidga & Milne, 2006). Organizations have been shown to use suitable rhetoric regarding social and environmental issues to pursue enhanced corporate legitimacy. The literature has highlighted how corporations use certain kinds of phrases, expressions, symbols and metaphors (that is, language in general) to convey a favorable representation (see Collison, 2003). It is, therefore, unclear whether the allegedly increased transparency afforded by sustainability reports suffices to expose and problematize conflicts and antagonisms inherent in advanced capitalism (see Spence, 2007, p. 856; also Cooper & Sherer, 1984; Puxty, 1986; Spence, 2009; Tinker, Lehman, & Neimark, 1991).

As mentioned, the present study seeks to provide insights into this discussion by focusing on one section of corporate communication: the CEO letter. CEO letters have been described as powerful means of communication, which not only reflect organizational culture and values but also have broader cultural and political significance (see Amernic & Craig, 2004; Amernic et al., 2010). We argue that together with other organizational communications, CEO letters participate in the processes through which societies come to frame and understand phenomena,

such as environmental challenges, sustainable development and corporate responsibility. We maintain that the way in which issues, concepts and phenomena are (re)framed has an impact on how these issues are viewed and acted upon in society (Berger & Luckmann, 1966; Dryzek, 1997). Stanton & Stanton, 2002, p. 478) have put this nicely via a quote from Hines (1988, p. 257): “In communicating reality, reality is constructed: ‘We create a picture of an organisation [...] and on the basis of that picture [...] people think and act. And by responding to that picture of reality, they make it so’”.

3. MEANING IN THE SERVICE OF POWER

Ideology is a multifaceted concept that has been used in various ways to refer to different issues. According to Ferguson et al. (2009), ideology has been used in reference, for example, to specific kinds of belief systems, such as fascism and communism, to beliefs that are in some way false or legitimate political power and to discourse that constrains what is said (see also Eagleton, 1991; Fairclough, 2003; Thompson, 1990). Thompson (1990) argues that the multiplicity of meanings in which the concept of ideology is nowadays used is partly due its long history. In addition, he also maintains that this ambiguity is exacerbated by the fact that the concept of ideology can be used both descriptively and prescriptively, implying that the concept can be used both to describe and evaluate a state of affairs.

In his work, Thompson (1990) elaborates on how the concept of ideology has been historically conceptualized. In developing his own approach to the concept, he distinguishes between two general types of ideological conceptions. The first of these he calls neutral conceptions of ideology, which he describes as characterizing “phenomena as ideology or ideological without implying that these phenomena are necessarily misleading, illusory or aligned with the interests of any particular group” (p. 53). Here, ideology is not considered to be linked to social power and subordination. Instead, it is viewed as a tool that is, in principle, available to any party with the necessary skills. The second general type Thompson identifies includes critical conceptions of ideology, which, according to Thompson, imply that the “phenomena characterized as ideology or ideological are misleading, illusory or one-sided” (p. 54). In general, Thompson argues that these conceptions tend to be associated with the criteria of negativity, implying that the ideology is something that needs to be combated and hopefully eliminated. Based on a review of prior work regarding ideologies and the concept of ideology, Thompson develops his own approach to the concept, with which he seeks to counter the “neutralization of the concept of ideology” (p. 55). He argues that his conception is oriented towards “a concrete analysis of social-historical phenomena but which, at the same time, preserves the critical character bequeathed to us by the history of the concept” (p. 56). In practice, this means being concerned with the ways in which “symbolic forms intersect with relations of power” (p. 56), in particular, socio-historical circumstances.

Furthermore, Tregidga et al. (2009; see Eagleton, 1991) argue that ideology operates through discourse to legitimate particular constructions of ‘real’. CEO letters can be considered to construct certain meanings for certain concepts and phenomena. In these “important texts” (Phillips & Hardy, 2002), corporate leaders use numerous linguistic modes and rhetorical strategies to construct “meaning in the service of power” (Ferguson et al., 2009; Milne et al., 2009; Thompson, 1990; see also Eagleton, 1991). Corporate disclosures serve as “ideological weapons” (see Tinker & Neimark, 1987) to reinforce certain worldviews, which construct and legitimize particular ideological (hegemonic) themes.² In other words, CEO letters work to universalize certain paradigms as a part of the struggle for power (see Milne et al., 2009). Certain courses of action are justified, consent is sought, and an attempt is made to hegemonize discursive space (see Tregidga, Milne, & Kearins, 2009). Therefore, to make room for ‘other ways of seeing’, we maintain that interpreting corporate communication and analyzing the underlying and related ideological assumptions is essential.

Our analysis was guided by Thompson’s (1990) schema of the linguistic modes through which ideology operates (see Table 1). A similar approach to ideology has been used in the recent accounting literature. Ferguson and colleagues (e.g., 2009, 2007), for instance, show in a series of studies concerning accounting education how accounting textbooks and manuals present a particular worldview, whereby the interests of ownership and management are often prioritized. In another recent contribution, Milne and colleagues (2009) discuss how ideology serves to

Table 1. Schema for analyzing the texts: modes and associate strategies of ideology (Thompson, 1990, derived from 9, see also Brasier, 2002; Milne et al., 2009).

Mode of operation of ideology	Linguistic strategy	Explanation
Legitimation	Rationalization	Justify or rationalize social relations
	Universalization	Argues that institutional relations that serve a few groups are benefiting everyone
	Narrativization	Current social relations are located within traditions and stories from the past
Dissimulation	Displacement	Using a term that would normally refer to something else
	Euphemization	Shift in descriptive language that gives social relations a positive “spin”
	Trope	Figurative use of language, such as synecdoche, metonymy and metaphor
Unification	Standardization	Standardization of language and symbols to create a union of individuals or groups
	Symbolization of unity	Adoption of a shared set of symbols to create a collective identity among groups
Fragmentation	Differentiation	Emphasis of differences between groups
Reification	Expurgation of the other	Creating a common enemy to unite people in opposition
	Naturalization	Presenting situations as natural and as the outcome of a natural historical process
	Eternalization	Portraying situations without their historical background
	Nominalization	Actors and action within a sentence are turned into nouns
	Passivization	Use of passive rather than active voice

² For more on the relationship between hegemony and ideology, see Eagleton (1991, pp. 112–117).

rationalize interests used in social struggles regarding sustainability. Following Thompson (1990), they focus on the question of how meaning works in the service of power and ask whether “the meaning mobilized by symbolic form serves, in specific contexts, to establish and sustain relations of domination” (Thompson, 1990, p. 7, quoted in Milne et al., 2009, pp. 1217–8).

It should be noted that Thompson does not claim that the (nature of the) list of identified modes of ideology is exhaustive. He points out that there may also be other modes through which ideology can operate, and the modes outlined are not necessarily independent of each other. Likewise, Thompson notes that the listing of the linguistic strategies is not exhaustive, and their linkages with the modes of ideologies should not be considered unambiguous. Rather, the classification is based on typical associations between linguistic strategies and modes of ideology.

It needs to be stressed that the approach and analysis conducted here comprise only one aspect of Thompson’s (1990) framework. Thompson emphasizes that the ideological nature of particular symbolic forms, such as pieces of text, depends on how they are used in particular circumstances. He points out that when seeking to investigate how ideology operates, one should pay attention to the particular socio-historical circumstances and to how the symbolic forms and linguistic modes are “used and understood by the subjects who produce and receive them in the socially structured contexts of everyday life” (Thompson, 1990, p. 67). Hence, the symbolic forms might not be ideological in themselves but may be ideological in relation to the context they are used in. The study at hand is, however, limited to analyzing the discursive aspects and linguistic features of CEO letters within a particular context. To gain a more comprehensive understanding of the immediate impacts, one should, in addition to taking into account the contextual features, seek a deeper understanding of the production and use of CEO letters. We maintain, however, that conducting such a study within a longitudinal setting would entail major challenges. Nonetheless, we do acknowledge the limitations of drawing conclusions on the basis of mere textual documents and concede the risk of the “fallacy of internalism” (Ferguson, 2007; Thompson, 1990). Our paper should thus not be taken as a comprehensive account of the phenomenon at hand but rather as an example of how particular modes of ideology and linguistic strategies can be identified from the different types of corporate communication.

4. APPROACH

Annual letters to stockholders by CEOs are not merely mundane discourses of seemingly minor importance, possessing a narrow, ‘captured’ audience of stockholders. Rather, their institutionalized role in the broad functioning of our socio-economy makes them important texts (Amernic et al., 2007, p. 1844).

Corporate disclosures are an often-used and broadly accepted source of data for longitudinal accounting and organizational research. The present study focuses on perhaps the most powerful

single section in a corporate annual and sustainability report: the CEO letter (e.g., Amernic et al., 2007, 2010). The rationale for analyzing CEO letters has been discussed in detail, for instance, in Amernic and Craig (2004), but we nevertheless elaborate here, to some extent, on the justification of our dataset. To begin with, CEO letters are an important focus of scrutiny because they can be perceived to mirror the corporate culture (Amernic et al., 2010). The letter is always positioned at the beginning of the report, thereby setting the tone for the whole report. Palmer, King, & Kelleher (2004) argue that CEO letters can be considered “a legitimate representation of views of senior management” (p. 599). They point out that CEO letters are widely considered to be top management’s account of the state of affairs, and thus top managers need to be conscious of the tone and emphasis used in the letters. Further, the CEO letters are stated to be the most widely read part of an annual report (Fanelli & Grasselli, 2005, p. 816). Elsewhere, Amernic and Craig (2001, p. 765) have pointed out that analyzing CEO letters is helpful to understand how CEO discourse shapes our “shared social world” and, in turn, is also shaped by it, a viewpoint to which we also subscribe. Overall, CEO letters have been considered to have [particular] political and cultural influence (Amernic & Craig, 2004; see also Amernic et al., 2007). As a whole, we maintain that a careful investigation of multiple CEO letters gives us insight into the roles that different corporate disclosures play in organizations and society. Further, by excluding the other parts of the reports from our dataset, we can focus on providing a more detailed investigation of a smaller body of text.

Our dataset includes the CEO letters published in the annual reports and standalone sustainability reports³ of two Finnish companies over the last 10 years.⁴ The two companies, Rautaruukki and Outokumpu, were selected as the focus of scrutiny for several reasons. Firstly, we find the metal industry to be an interesting example with respect to sustainable development and corporate responsibility due to its use of natural resources. Even though the aim of this study is not to compare the companies as such, having two companies from the same industry provides a fruitful dataset for analysis. The companies have a long history in Finland but are now big multinationals, with approximately 10,000 employees in 30 countries around the world. The two companies also differ in terms of their background, as one of them, Outokumpu, is still 30% owned by the State of Finland. The empirical material covers the years 2000 to 2009. During this time, the companies developed their sustainability reporting according to a table presented in Appendix A, giving us a total of 32 CEO letters for analysis.

We concede that our choice of data might be considered restricted, thereby limiting the contribution of the present study. We nevertheless argue that such an analysis of disclosures published by two companies in Finland can enhance our understanding of societies and

³ Outokumpu and Rautaruukki publish their reports both in Finnish and in English. The present study is based on the English versions, and all of the citations included in this paper have been taken directly from the reports.

⁴ At a preliminary stage, we analyzed the CEO letters of five Finnish companies. However, a more concise dataset was eventually chosen to facilitate a closer reading of the dataset.

sustainability (for similar approaches in other contexts (see, e.g., Buhr & Reiter, 2006; Tregidga & Milne, 2006)). There are several reasons for our approach. First, Finland has constantly been included among the leading nations with regard to its sustainability performance (e.g., Yale Center for Environmental Law & Policy, 2008, 2010). We thus maintain that analyzing how Finnish companies position themselves in relation to environmental issues is of interest. Second, numerous studies have considered the metal and mining industries to be environmentally sensitive (e.g., Aerts & Cormier, 2009; Cho, Roberts, & Patten, 2010). Accordingly, our case companies, Rautaruukki and Outokumpu, are both major emitters of carbon dioxide: on the list concerning carbon-emission permits in Finland for 2008–2012, Rautaruukki is ranked first, and Outokumpu is ninth (fourth, if energy companies are excluded; see The Energy Market Authority [of Finland], 2008, 2010). The activities of these entities have, thus, major environmental consequences. Third, both companies have over the years received awards for their environmental and corporate-responsibility reports. For instance, Outokumpu won the Finnish annual competition for corporate-responsibility reporting in 2009, and Rautaruukki has been in the top three numerous times during the last decade. Finally, Outokumpu is also included in the Dow Jones Sustainability Index. Overall, we maintain that Rautaruukki and Outokumpu both have major environmental consequences as their production processes impact the environment, but can also be considered leaders in terms of their environmental efforts. We, therefore, argue that investigating how such companies frame their activities vis-à-vis sustainability helps us to better understand the role of sustainability disclosures in society.

The empirical analysis was conducted by the two authors. Both authors first read through the CEO letters in our datasets independently. Subsequently, all of the material was analyzed together by the two authors in an in-depth and conversational manner. All of the CEO letters were read through, section by section, and the findings were discussed between the authors. Thus, the authors were able to share thoughts immediately, and the interpretations could be readily discussed. This intensive engagement between the authors lasted for three days and yielded a thorough understanding of the phenomenon at hand. Thereafter, the authors resumed work independently and recorded the findings based on notes taken during data analysis. Before composing the first full report of the analysis, the interpretations written by the authors were compared, and possible differences in opinion were discussed. For the final version of the paper, another round of systematic analyses was conducted with the Thompson's schema we adopted from Ferguson et al. (2009) and Brasier (2002). Hence, the findings and discussion presented here are a result of a multi-phased analysis by the authors, both jointly and independently.⁵

⁵ In qualitative research, it is often fairly complex to precisely describe the processes through which the interpretations have been formed. In this particular case, we feel that the data sessions played a major role. We proceeded systematically year by year and made notes of the conversation. However, the process was not linear. Resultantly, certain aspects and viewpoints appeared constantly in the letters and were, hence, bypassed more swiftly as the analysis progressed. In addition to these data sessions, the interpretations have been discussed less systematically on other occasions throughout the process.

5. EMPIRICAL FINDINGS

Throughout the empirical material, we found several common themes that we find insightful in light of our approach and according to which we now report our findings. We simultaneously report the analysis of the ideological modes and associated strategies, drawing on Thompson's (1990) schema. To highlight the different aspects of sustainability – economic, social and environmental – our report is classified according to this (perhaps overly simplistic) categorization. As our intention is not to provide a comparison of the two companies, we have decided not to separate our analysis into two distinct parts but rather to discuss our reading of the CEO letters published by the two organizations in parallel. Before embarking on the findings, we first describe the socio-economic context in which the CEO letters were published.

5.1. The context

In analyzing and making interpretations of corporate disclosures, one needs to be aware of the corporations' social, economic and institutional operating context (see also Thompson (1990) on the importance of context when interpreting texts). Our investigation focused on the reporting of two Finnish companies over a fairly brief (ten-year) timespan, 2000–2009. Finnish society was relatively stable during this time. The Finnish economy had been deregulated and opened up swiftly during the late 1980s and early 1990s. In addition, Finland joined the European Union in 1995. These changes affected the business environment to a major extent by opening up the market and exposing business to global competition for customers and financial assets (see Ojala & Karonen, 2006). Thereafter, no major socio-historical events affecting the corporations' operating environments can be said to have occurred.⁶

Our case organizations, Outokumpu and Rautaruukki, remained relatively unchanged during the ten-year period. The core activities of both organizations as well as their relatively strong financial position with good balance-sheet structure⁷ remained fairly stable over the period of interest,⁸ following the development of the whole metals industry in the global market. Both companies received a new CEO around 2003–2004, which seems to have had some impact on the way the CEO letters are written. For Outokumpu and Rautaruukki, the beginning of the period

⁶ The phenomenon with perhaps the most far-reaching impacts in the long term is probably climate change. The European Emission Trading System was established and further developed during the period we examine. Carbon trading might have far-reaching impacts for the metals industry, and this also emerges to some extent in the CEO letters we investigate, even though the actual impacts of carbon trading were still relatively minor at these early stages of emission trading (see Lovell, de Aguiar, Bebbington, & Larrinaga-Gonzalez, 2010).

⁷ Both companies actually had very good equity ratios (over 50%) at the end of the period in 2009, following the trend of the industry as a whole.

⁸ Outokumpu did reorganize its operations in 2001 to focus on stainless steel and, through a series of mergers and acquisitions, almost doubled its capacity and personnel. To further strengthen the strategy to focus on stainless steel, the company sold off its fabricated copper-products business in 2005, a decision that more than halved the number of employees. Around this time, Rautaruukki also refocused on being a metal-solutions provider.

was a time of moderate growth and return on investment, with a brief decline in 2001–2003. During the years 2003–2007, there was a continuous annual growth in the demand for metal products. However, in the latter part of 2008, the world economy experienced a major recession. Although both Rautaruukki and Outokumpu had somewhat downsized their operations during the earlier years (and continued to do so in 2008 and 2009), their profitability fell drastically during 2008 and 2009 (The Federation of Finnish Technology Industries, 2011, Rautaruukki Annual Reports, Outokumpu Annual Reports). The organizations' key

financial figures are presented in Appendix B, showing that with some yearly fluctuations in profitability, the financial performances of the companies progressed relatively similarly during the period 2000–2009. The number of personnel remained more or less the same during the whole time, showing a slow decline towards the end of the period due to lay-offs.

Overall, we maintain that in the present case, the changes in the broader context are relatively minor and thus have not had any major impact on corporate disclosures. We, therefore, argue that the way the CEO letters have been constructed is less about reacting to external impulses than about the way the corporations wish to be viewed within society. We now discuss our empirical findings.

5.2. CEO letters in various types of disclosures

Throughout the period, the overall tone and content of the CEO letters remains more or less unchanged in both the annual reports and sustainability reports. In other words, we did not note any significant changes over time regarding how linguistic strategies were used. Again, based on our reading, we argue that there are significant differences in the ways the CEOs express themselves in the various reports. This applies both to the contents of the letters (what issues are raised) and to the ideological strategies they employ (Thompson, 1990).

It is of interest that the CEO letters in the annual and sustainability reports neither discuss much of the same things nor use the same language. Instead, they rely on different discourses, that is, ways of viewing the operations of the company. In general, the CEO letters in the annual reports present the companies in terms of their financial performance, strategically aiming at constant growth, and 'see' no stakeholders beyond the shareholders. In the sustainability reports, the same 'reality' is presented in a different light, namely, from the perspective of society at large. The CEO letters in the annual reports make prominent use of the economic discourse of 'growth' and profitability, whereas in the sustainability reports, the CEOs rely on the 'well-being' discourse, stating that the operations of the company are undertaken in the name of providing well-being to the stakeholders [namely, employees or 'environment'] and to society at large. This can be seen, for instance, in the sustainability reports, in which the unification strategy (Thompson, 1990) is used to emphasize that the organizations are a part of society and are seriously committed to dealing with social challenges.

We want, for our own part, to carry the responsibility for resolving the environmental questions associated with our business in a sustainable manner for future generations. (Rautaruukki SR 2000)⁹

Stakeholder concerns are being taken seriously. (Outokumpu SR 2008)

Overall, in the CEO letters annual reports, often entitled ‘a letter to shareholders,’ the CEOs mostly discuss the operational and financial performance of the company in the previous year. The social and environmental issues are seldom mentioned here, except during the last years of integrated reporting, where these issues have been given a brief note. In contrast, in the CEO letters published in sustainability reports, the financials are frequently mentioned. Here, the use of the financials, however, usually relates to justifying actions taken and representing the ‘constrained financial reality’ in which the companies find themselves. Moreover, the CEO letters in annual reports do not contain any references to the sustainability reports, and vice versa. This is also the case in those years when there are changes in the form of sustainability reporting, such as when an environmental report is developed into a corporate-responsibility report or when the stand-alone sustainability report is superseded by the founding of an integrated annual report. Such omissions suggest that sustainability reporting is not considered to be highly relevant in the totality of the operations.

The CEO letters also differ with respect to the use and nature of the goals and targets described in them. The financial goals and performance are usually discussed with the use of figures, whereas the statements concerning social and environmental issues are made on a very broad level. Overall, the rhetoric in the sustainability reports is often based on abstract statements, general principles and noble goals, and there are very few references to explicit, detailed targets in the area of sustainability. We acknowledge that the CEO letter is not necessarily the place for reporting detailed information about the targeted or actual performance of the company. However, in their letters, CEOs very often refer to financial performance with at least some figures. In this respect, there is no reason to assume any less preciseness in the other areas of sustainability.

After this brief overview of the general features of the CEO letters, we move on to discuss our findings, according to the economic, social and environmental dimensions.

5.3. *Economy – the growth imperative*

Throughout the dataset, one predominant theme is evident: the ‘need’ for growth. The ‘growth imperative’ features in nearly all of the letters: the companies want to grow and ‘strengthen’ their operations, just as they ‘need’ to be more efficient and more profitable. This is presented as the main aim of CEOs and the ultimate goal of all decisions taken. No evident changes in the use of the growth discourse can be linked to the financial performance of the companies, but the

⁹ For brevity, in the quotations we use abbreviations AR for the annual reports and SR for the sustainability reports.

discourse remains similar throughout the whole ten-year period. Growth is presented as two-fold: on the one hand, it is an end in itself; on the other hand, it is something to be achieved through more efficient business operations, for instance, ‘operational excellence’ and better profitability.

The year 2002 was eventful for Outokumpu. With growth and transformation as the goal, we continued firmly down the road set out by our strategy. (Outokumpu AR 2002)

Profitable growth creates a platform for responsible long-term sustainable business. (Rautaruukki SR 2006)

Even though the focus of the operations has been targeted to meet future growth needs, Ruukki’s strategic direction remains unchanged. (Rautaruukki AR 2009)

In addition to this evident ‘need for growth,’ other growth-related rhetoric, for instance, constant references to change and continuous improvement, is also very much present. In all aspects, the companies seek to gain “more and more.” However, the companies seem to use the growth imperative rather confusingly: it seems to serve merely as a rhetorical tool to please the shareholders and justify decisions taken to improve efficiency, even after years of financial success.

In business, change is the only thing that is certain. [...] Rautaruukki is changing too, and I am convinced that the change – which will unfold in the form of growth and improved profitability – will accrue to the benefit of our shareholders and all of Rautaruukki’s stakeholders. (Rautaruukki AR 2002)

Last year was a successful one. [...] To enhance profitability, at the start of 2008 we launched a programme [...]. (Rautaruukki AR 2007)

While it is positive that the annual targets were met, we are very much aware that being world-class, further improvements need to be made. (Outokumpu AR 2007)

According to Thompson’s schema (1990), these kinds of strategies of rationalization and universalization bypass any need for an explanation of the logic behind the need for growth and, hence, make it appear to be a necessity and ‘a natural state of affairs’ (see also Jackson, 2009).

The growth discourse is paralleled with rhetoric concerning the market and the positioning of the company within this context. Typically, the CEOs make several comments about the ‘market,’ referring to ‘healthy markets’ (Rautaruukki AR 2001) and ‘normal markets’ with ‘healthy prices’ (Outokumpu AR 2008).

The market has reacted positively to the growth and transformation that we have achieved. (Outokumpu AR 2002)

The stock situation will normalize. (Rautaruukki AR 2001)

There would seem to be some signs of a normalisation in the situation in the steel market. (Rautaruukki AR 2002)

Using the passivization strategy (Thompson, 1990) when discussing markets, the companies seem to create an impression of the existence of a 'perfect market.' According to the assumption, the 'perfect market' seeks equilibrium and allocates resources efficiently (and maximizes the welfare of society). Accordingly, the CEOs make claims about the 'balance' and 'normal state' of the market, referring to an achievable equilibrium. Likewise, during times of financial uncertainty, the companies discuss 'turmoil' (Outokumpu AR 2008) and 'turbulence' (Outokumpu AR 2007), portraying the malfunctions in the market as 'out of the picture,' which disturbs the [alleged] normal state of the markets. Implicitly, the CEOs state that things are just happening 'out there' in the market, without the interference of any active player [with more power than others]. To emphasize the idea and importance of a perfect market, which includes the idea of free competition, the CEO of Rautaruukki warns that "there are serious obstacles in the way of free competition" (Rautaruukki AR 2001). The alleged existence of the 'perfect market' and the endless pursuit of growth are portrayed in such a way that, again, rationalizes (Thompson, 1990) social relations, making the existence of the market seem natural rather than a part of a socio-historical process.

However, it is interesting to note that despite the implicit and explicit emphases on the market logic and free competition, the CEOs simultaneously mention in a positive tone the actions by the OECD to cut the world's steel-producing capacity in 2001:

[I]t is hoped that these measures [of cutting overcapacity] aiming at stabilizing the markets and bringing about a healthier price level will be successful. (Rautaruukki AR 2001)

Given these controversial statements about the market, we are left confused about the meaning of the concept. It seems that the CEOs use the idea of 'market' rhetorically, to justify the growth imperative, and the ever-increasing pursuit of better profitability.

This picture is supported by the use of accounting information. Accounting terms, financial figures and, aligned with that, numbers in general are very often used in the CEO letters published in annual reports. Descriptions of the operations generally include financial targets and results. However, the use the CEOs make of this information is very vague. The very basic discussion of the efficiency and profitability of operations can be viewed as an example of how accounting terms can be used to support certain ideological views. Often-used justifications for downsizing operations, thereby increasing the efficiency and profitability of the companies, are also typical phrases in the CEO letters of Outokumpu and Rautaruukki. These concepts are not explained in detail and might, thus, have either absolute or relative meanings. Referring to 'efficiency' easily creates a controversy: to a layperson, it can be taken very literally,¹⁰ that is, a company or a business unit either is or is not profitable, whereas in accounting language, and probably likewise for

¹⁰ 'An average person' without accounting education is normally unaware of the fact that the profit/loss figure is not an absolute truth about the financial success of the company (see also Craig and Amernic, 2004, p. 831; Hines, 1988).

CEOs, profitability and efficiency are often understood in relation to competing business units or competitors. Moreover, efficiency and even profitability are concepts with basically no ‘zero-point’ and can increase indefinitely, which makes them rhetorically very powerful, as they can be used from one year to another – as observed in our empirical material.

To further speculate on the use of accounting figures, Thompson’s ideological strategies of dissimulation are also present. Accounting information is used to describe operations such that it distances management from operations, particularly when the circumstances are not favorable:

Non-recurring costs were exceptionally high. (Rautaruukki AR 2002)

Our gearing is still too high. (Outokumpu AR 2003)

By not making explicit the fact that ‘non-recurring costs’ and high gearing are often caused by managements’ earlier decisions, the CEOs create the impression that these situations are beyond their control. These are further examples of how accounting information can actually be used strategically as a rhetorical tool (see also Amernic & Craig, 2001, 2004; Craig & Amernic, 2004a,b; Mäkelä & Näsi, 2010). Thompson (1990) refers to such a strategy as nominalization and passivization, in which the active agency is deliberately blurred through language by using nouns and a passive, rather than active, voice.

To sum up, with references to the ‘market’ and the growth imperative, this taken-for-granted goal of economic growth is presented as a natural state of affairs and as universally beneficial. The “growth talk” needs no justification, and the expected causal outcomes of the anticipated growth are not made explicit. The CEO letters resonate closely with what Jackson (2009, p. 5) refers to as “the myth of economic growth,” a predominant social narrative, wherein economic growth brings both social justice and ecological improvements. In other words, the growth imperative does not seem to have any negative outcomes for anyone. Moreover, the CEO letters, particularly those in annual reports, focus mainly on shareholders’ interests, whereas the other stakeholders are not deemed to be worth mentioning at all.¹¹ Hence, we come to learn that according to the assumption of a perfect market, by maximizing the wealth of the corporate shareholders, one simultaneously also improves the situation of various stakeholder groups, such as the employees and local communities, and leaves the whole society better off. Overall, this is in line with Thompson’s (1990) universalization strategy. However, the ideological nature of such an assumption is never discussed. Likewise, similar framing and universalization can be observed in the relationship between sustainability and corporate growth, to which we subsequently turn.

5.4. *Society*

Most of the aforementioned economic disclosures appeared in the CEO letters published in annual reports. While the CEO letters in annual reports focus mostly on financial aspects, the

¹¹ See Choudhury (1988) and Hines (1988) for the significance of omissions and silences.

CEO letters in sustainability reports emphasize other stakeholders, namely, employees, local communities and the natural environment.¹² In the CEO discussions therein, the use of the ‘well-being discourse’ is apparent. Everything the companies do seems to be in accordance with the aim of “safeguarding the well-being of people” (Outokumpu SR 2004). Accordingly, the CEOs make very firm statements about well-being, for instance, making people “a priority” (Outokumpu AR 2009) and “making responsibility an integral part of all our activities” (ibid.). The well-being of society is also emphasized by Rautaruukki:

Ruukki is engaged in profitable business that respects people and seeks to cause minimum harm to the environment. (Rautaruukki SR 2006)

Moreover, through the strategies of reification, sustainability and responsibility for employee well-being are represented as something that the organizations have always done naturally:

Throughout our existence we have strived to align our operations with the principles of sustainable development, which means that we work to safeguard people’s well-being now and in the future. (Outokumpu SR 2005)

Sustainable work is continuing. (Rautaruukki SR 2001–2002)

The manner in which CEOs discuss the restructuring of operations is very different in the annual reports compared to the sustainability reports, as an example by Outokumpu shows:

The operational excellence initiative is managed through two programs [...]. Ambitious financial targets were confirmed for the programs, ultimately resulting in a significant improvement of operating profit in years to come. (Outokumpu AR 2005)

The ultimate aim of the programs is to promote, in a very practical way, among other things, occupational health and safety as well as environmental issues. (Outokumpu SR 2005)

Curiously, the same program(s) and its ultimate aim(s) are positioned very differently in the annual and sustainability reports. A similar example can be taken from Rautaruukki:

One of the last year’s accomplishments at Rautaruukki was that we pushed ahead with Fundia’s restructuring programs. Cutting 500 staff from the payroll of Fundia [...] is estimated to lead to an improvement in earnings right during the current year. (Rautaruukki AR 2001)

Reducing fixed costs is the objective that we can reach fastest in our drive to restore competitiveness. [...] Three- quarters of the reduction in fixed costs will come from lower personnel costs. (Rautaruukki AR 2002)

Rautaruukki workforce decreased in 2002. The number of personnel is dropping further in 2003, due to the downsizing of the group’s fixed expenses in the end of 2002 to improve competitiveness. (Rautaruukki SR 2001–2002)

¹² The natural environment will be discussed in more detail below.

Laying off 500 people is presented in the annual report as a positive action, as ‘an accomplishment’ that leads to an increase in earnings. Simultaneously, however, the CEO neither states anything about the individuals themselves nor about any possible negative effects.

Likewise, in the sustainability report, which should assess “business operations from a much wider point of view” (Rautaruukki SR 2000), the CEO does not mention anything about the ‘non-well-being’ caused by the lay-offs. By using the strategies of passivization and nominalization, the CEO distances the company from the cause of the lay-offs. Furthermore, the personnel of the company are presented as a mere financial figure, as part of the fixed costs in the income statement, not as human beings. Another argument worth noting is that it is very debatable if downsizing actually leads to improved profits (Orlando, 1999), and as it is at least highly unlikely that such effects would already make themselves felt in the same financial year [due to the additional costs related to restructuring], such justifications seem biased.

The use of the euphemization strategy is, likewise, very common in the sustainability reports. The possible negative effects of corporate operations are downplayed with the use of “language that creates a positive spin” (Brasier, 2002). Very typically, in line with euphemization, the cost-cuts that in almost all cases lead to lay-offs are referred to as a “fixed cost reduction program” (Outokumpu AR 2005), a “restructuring program” (Rautaruukki AR 2001), and the “Ruukki United programme [with permanent cost savings]” (Rautaruukki AR 2005), hence, belittling any impacts on the employees.

Later on in the dataset, the CEOs do mention that individuals have been laid off, even though this is often also reported with the aid of nominalization:

[...] the Boost programme has regrettably also meant job reductions. (Rautaruukki AR 2008)

It is of note that in this case, Rautaruukki also reports on the actions they have taken to ensure employee well-being:

Pension arrangements, shift reorganisation, possible redeployment within the company and close contact with local authorities have been made to lessen the impact on personnel. (Rautaruukki AR 2008)

Even though the CEO does mention working together with the local authorities, what he does not mention is that in Finland, companies are required by law to provide such measures.

Furthermore, in addition to using language that elicits a positive evaluation (Thompson, 1990) of the situation, some of the negative issues are totally omitted. In 2009, there was sad news about three former employees of Rautaruukki having committed suicide within one month, citing the very stressful organization of work shifts as one of the causes of suicide (Kauppalehti, 2009). However, this was not mentioned in the CEO letters, nor did the CEOs say anything about any possible negative feelings or mental well-being of their employees.

5.5. Environment & sustainability

Throughout our dataset, environmental issues generally only feature in sustainability reports.¹³ Overall, with Thompson's (1990) framework, we were able to identify general patterns regarding how CEOs discuss both environmental issues and wider sustainability issues. The strategy of nominalization, often used with reference to employee issues, is not so common in relation to the natural environment, whereas euphemization is discernible. Further, rhetorical strategies such as rationalization, dissimulation and naturalization are evident here.

The metals industry is a very energy-intensive and environmentally sensitive sector. Companies' operations and emissions are often regulated by the environmental authorities, who impose limits on various kinds of emissions from industrial sites. It is intriguing to note how these limits and the actions of authorities become part of the rhetoric through which the actions of the company are naturalized as business as usual.

Emissions and discharges from our plants were at normal level. (Outokumpu SR 2006)

The other common method of describing emissions is by referring to the environmental permits issued by the authorities: "Emissions from our plants were mostly at the permitted levels" (Outokumpu SR 2005). The corporation's environmental impacts are justified by emphasizing the limits imposed by the authorities. The organizations concede that there are some emissions or discharges, but these are never described as environmentally harmful or problematic. Instead, the emissions are portrayed neutrally and justified as being under control. At times, this is supplemented with eternalization, which is used to show that the corporation has always taken care of its duties. The companies follow "best practice," use "already efficient" processes and have "minimised emissions." The corporations' good environmental performance is substantiated by technological expertise and systematic management procedures. Actions are rationalized by reference to environmental programs, such as "in practice, improvement takes place through environmental management systems" (Rautaruukki SR 2006). Most of the possible measures have, thus, reportedly already been taken, resulting in speculation on "whether the environmental impact we have could be further reduced and how" (Outokumpu SR 2000). Environmental excellence is a natural feature of the corporation, which has 'already been a part of the culture for a long time'. Thus, linguistic strategies are used to signify that there is neither any need for changes nor anything to complain of. In contrast to financial performance, which can, should and always will be improved, environmental performance is naturalized and eternalized to appear optimal.

The expertise of the companies is further affirmed with references to institutions such as the Dow Jones Sustainability Index and the International Iron and Steel Institute. Even though the company might not be doing anything itself, a rhetorical twist may be used to reinforce a particular image. In the letter of Rautaruukki's sustainability report, the CEO describes how

¹³ Carbon trading receives some attention in annual reports in the later years of the period, albeit not because of its environmental background but rather because of the increased costs it appears to cause.

the company has taken part in planning a report for an industrial association. How such an undertaking contributes to Rautaruukki's sustainability performance is rather unclear:

The International Iron and Steel Institute (IISI) published its Sustainability Report at the beginning of 2005. It states that the world's steel industry wants to be a forerunner in promoting sustainable development. Ruukki took an active part in planning the report and gathering data for it. (Rautaruukki SR 2004)

In a similar manner, in their letters, the CEOs also list 'awards' their organizations have won for their reporting. However, the difference between reporting as a practice and the activities of the corporation as such are seldom highlighted. The well-designed and appraised report and the associated industrial organizations thus serve as linguistic symbols, which are used to constitute a positive representation of the corporations' activities.

Dissimulation is another common mode through which ideology can be viewed to operate with regard to the natural environment. Steel, the material both companies are dealing with, is euphemized in various ways:

Steel and the products made from it are an essential part of a modern, developing society. At the same time as representing continuity in the community steel is a most versatile and developing material [...] Steel is also the world's most important recycled material. (Rautaruukki SR 2000)

[Steel] well suits the requirements of modern society: fully recyclable, enjoying a long lifetime and it brings convenience to all users. (Outokumpu AR 2005)

[Steel is] a sustainable material helping to solve many global challenges: the need for clean water, for reduced emissions and for sources of renewable energy (Outokumpu AR 2009)

The latter quotation also demonstrates how the concept of sustainability and its various derivatives are used in the rhetoric (see Laine, 2010; Milne et al., 2009). In the later years of the dataset, Outokumpu adopts this concept when discussing the procurement of raw materials: "The sustainability of our supply chain will be a subject of focus" (Outokumpu SR 2008). More broadly, the CEOs make claims about 'managing' sustainability, creating an impression that the phenomenon is under control, or that sustainability is something manageable in the first place (see Laine, 2005; Tregidga & Milne, 2006). The companies also state that they know "the right thing to do," which has also been linked to business cases in the literature (Spence, 2007).

In the business world, there is a strong discourse concerning the benevolence of business activities towards the surrounding natural environment (see e.g., Holliday et al., 2002; Porritt, 2005). A general feature of this discourse is the idea of balancing (see Tregidga & Milne, 2006), which describes business activities as a panacea for global social and environmental problems. Our analysis shows that this feature is commonplace in our CEO letters. Overall, corporate activities are represented to simultaneously deliver economic growth, environmental improvements and

social development. Hence, the corporate success is universalized to be beneficial for the whole of society.

Even though the Group's strategy, vision, structure and leadership changed, our responsibility for the environment, economy and people remains the same. We take these responsibilities very seriously. All aspects should be taken care of in a balanced and long-term way. We follow the principles of sustainable development i.e. to safeguard the well-being of people now and in the future. (Outokumpu SR 2004)

Outokumpu's aim is to contribute to resolving global challenges such as climate change and the need for clean water and clean energy in two ways – through continuing material development and by improving our own operations. (Outokumpu AR 2009)

The texts refer to sustainable development as something relatively simple that can be achieved by a mere decision to act. Following the business case, sustainability is presented as something very normal and natural, as part of a company's everyday process practices.

The solutions business, which is the focus of our growth, is intrinsically environmentally sound because it is based on developing expertise. (Rautaruukki SR 2003)

The organizations "honour the principles of sustainable development," "foster sustainable development" or operate "in accordance with sustainable development." Their operations are "intrinsically environmentally sound." Furthermore, the companies state that their approach to sustainability is "very down to earth" (Outokumpu SR 2007) and that they "want to integrate responsibility into all our activities" (Outokumpu SR 2008), implying that there is neither anything special about sustainability nor anything that cannot be integrated into the business in its current form. Rautaruukki (SR 2000) even states that "efficiency and ecology have the same aim," hence, relating and equating these two things of very disparate natures with each other. Drawing such parallels through language serves ideological purposes, as commercial activity becomes symbolically akin to nature. One may be left wondering, however, about what the aim of the ecology actually is, and why we should even think that nature should have 'an aim.' However, we argue that associating corporate activities with ecology is an example of such linguistic displacement (Thompson, 1990), which seeks to represent the industrial activity as benevolent and natural. Likewise, Outokumpu states that "our efforts to achieve a low-carbon society will continue even when markets are challenging" (Outokumpu AR 2009). A statement emphasizing a low-carbon society is an intriguing one from a highly energy-intensive organization.

Overall, in the CEO letters analyzed here, sustainability is constructed through various linguistic strategies to be as natural an element of corporate activities as is the pursuit of further growth. Neither further growth nor corporations' optimal sustainability performance are to be questioned. The relationship between sustainability and corporate financial profits is constructed as a matter of mere balancing rather than with respect to mutual exclusivity or problematic conflicts. Such an ideological representation has also been reported in other studies on corporate

disclosures (e.g., Laine, 2010, 2005; Tregidga & Milne, 2006). It is further of interest that we have noted these features mainly in the sustainability reports. We argue, therefore, that despite the use of different concepts and framings, the CEO letters published in the two different forms of corporate reports reinforce a similar hegemonic worldview by naturalizing particular activities.

6. DISCUSSION AND CONCLUSIONS

Our study offers a critical analysis of CEO letters in the annual and sustainability disclosures of two Finnish companies, Rautaruukki and Outokumpu, from 2000 to 2009. In this paper, we have sought to provide insights into how different forms of corporate reporting can be used to reinforce particular worldviews (see Eagleton, 1991; Milne et al., 2009; Thompson, 1990). In particular, we were seeking to add to the understanding of the role of corporate disclosures within the “socio-environmental dialectic” (Milne et al., 2009). Milne et al. (2009) presented the two major social paradigms: the dominant social paradigm, based on frontier economics and maintaining the status quo, and the new environmental paradigm, calling for biocentric values and a major social transformation. Furthermore, they argued that the different paradigms can also work as ideologies because they also serve to legitimize and justify particular courses of action. In response to their call for studies on the use of symbolic forms by organizations in representing both themselves and their activities in the “on-going discursive and ideological contest over environment and development” (p. 1220), we analyzed the CEO letters according to the schema proposed by Thompson (1990) (see also Brasier, 2002; Ferguson et al., 2009). We now move on to discuss the findings.

In light of our readings, it can be stated that there are significant differences between CEO letters in the two different reporting media. These disparities relate both to the contents of the letters as well as to the ideological strategies (Thompson, 1990) used in the letters. In sum, CEO letters in annual reports make prominent use of the economic discourse of growth and profitability, whereas in sustainability reports, CEOs rely on the ‘well-being’ discourse, claiming that the operations of the company are undertaken in the name of providing well-being for society at large. Considering that the reports are perhaps aimed at different audiences, the differing contents are not particularly surprising. Nevertheless, we maintain that keeping in mind the original aim of sustainability reporting as well as the pressure for integrated reporting,¹⁴ these findings are worth noting as well as further problematizing. We argue that improving the quality of corporate disclosures and the overall transparency of organizational activities necessitates making the underlying ideological and political positions visible (see Molisa, 2009), a task this paper has sought to accomplish. Accordingly, we maintain that despite the differences in discourse, both

¹⁴ For instance, the formation of the International Integrated Reporting Committee by GRI and the Prince’s Accounting for Sustainability Project in 2010.

types of reports serve the same purpose. By using different forms of these ideological strategies (Thompson, 1990), the disclosures promote a particular worldview, that of the dominant social paradigm (Milne et al., 2009). Even though CEOs frame their messages differently in sustainability reports, with explicit statements about the environment and societal well-being and their “commitment to sustainability,” the CEO statements herein studied still prioritize financial success and the interests of shareholders.

The growth imperative is used as a taken-for-granted aim of individual businesses. However, the definite meanings are far from obvious. Furthermore, no distinction is made between the functioning of the capital and production markets. The ‘growth’ seems to apply simultaneously to, among other things, the production capacity, sales volumes, the profitability of the companies and the market value of the companies. Hence, the concept of growth appears as a symbolic mantra and as a powerful metaphor, especially when its ideological underpinnings remain unclear (see also Craig & Amernic, 2004b). With reference to Thompson’s ideological strategies, we observe this as an example of rationalization, universalization and eternalization. The growth imperative is discussed with no historical background and with no reference to any causal relations explaining its importance, nor does it need any justification for its anticipated beneficial impacts. With strategies such as this, the CEO statements seem to follow the dominant social paradigm: business and growth are natural, unquestioned and leave everybody better off (for an opposing view, see Fournier, 2008; Jackson, 2009; Meadows et al., 2004; Meadows, Meadows, Randers, & Behrens, 1972). Similar findings have been reported by Craig and Amernic (2004a,b; see also Amernic & Craig, 2001; Carrier, 1997), who state that CEO statements help to legitimate the discourse of the ‘market’ and, further, that the “ruthless, win-at-all-costs form of capitalism” (Craig & Amernic, 2004b, p. 835) becomes the ultimate end to justify all means.

In contrast, when discussing sustainability, the CEOs use the ‘well-being discourse,’ consisting of explicit concerns for the well-being of society, employees and the natural environment, and assure the readers of the company’s commitment to sustainability. However, we maintain that CEOs simultaneously use ideological strategies that serve to reinforce a certain worldview. By using the linguistic modes of legitimation, dissimulation, unification and reification (Thompson, 1990), CEOs present the operations of their respective companies as beneficial to society at large. As presented earlier in our report, with the use of the legitimation strategy, the CEOs enforce the aim of business as being in line with the dominant social paradigm, that of the ‘growth imperative’ and market logic that prioritizes the interests of shareholders. With the help of reification strategies such as naturalization, the capitalist market logic serving shareholders’ interests is presented as ‘natural’ and as something evident that ultimately leaves everybody better off. This is at times further strengthened by the strategies of unification, which gloss over the differences and conflicting interests and promote the view that business logic benefits all stakeholders, including employees. Finally, dissimulation was used particularly in the sustainability reports to distract attention away from negative interpretations. As a whole, by framing their actions as socially

responsible and by universalizing the operations as beneficial to society at large, CEO letters work to further legitimize business operations, including those that have, perhaps, become socially questionable in the present socio-economic context.

This being so, it is important to further question the current practice of sustainability reporting. In line with prior research (see Gray, 2010; Spence, 2009), we here question the ‘quality’ of such disclosures. Our study shows that corporate sustainability disclosures serve to reinforce the dominant social paradigm, which has been blamed for many forms of social and environmental degradation (Gaffikin, 2009). Following Guthrie & Parker, 1990, p. 166), we consider accounting reports to be political, social and economic documents, which “serve as a tool for constructing, sustaining, legitimizing economic and political arrangements, institutions, and ideological themes which contribute to the corporation’s private interests.” Our examination of CEO language in different types of corporate reports highlights that the sustainability reports should be considered in a similar light, that is, as tools that the organizations use to reframe themselves and their actions in a particular light (Springett, 2003; Tregidga & Milne, 2006). As Outokumpu neatly puts it:

Our target is to develop further our environmental communications [...]. [W]e report on what we are currently doing [...] and above all on how successful we have been in doing so. One of the most important messages that we must be able to get through is that the technologies designed and marketed by Outokumpu are environmentally friendly and energy efficient. (Outokumpu SR 2000)

It is evident that the corporate annual and sustainability reports include numerous other disclosures in addition to CEO letters. However, we maintain that through an analysis of CEO letters, it is possible to interpret how the organizations position their activities within each report. Our analysis was based on the assumption that CEO letters reflect ‘the tone at the top’ (Amernic et al., 2010), hence, reflecting the values that are deemed worthy of pursuit by the organization. We therefore argue that our analysis of the ideological modes and linguistic strategies in CEO letters enhances our understanding of the role of corporate disclosures in the societal struggle over social and environmental issues. It therefore seems plausible to argue that the current sustainability reporting does not fulfill its purpose of reporting from a wider perspective (see Gray, 2010; Lehman, 1999; Spence, 2009) nor does it show any development in this direction during the time frame of our analysis.

In conclusion, we argue that the findings presented in this study highlight the need to further develop corporate sustainability reporting practices. These disclosures are still largely voluntary, with no legal or external assurance requirements. Corporations’ emphases on reporting in particular ways and the [unsurprising] focus on financials is, perhaps, not a problem as such. However, we maintain that it is questionable that the organizations represent themselves and their actions as socially benevolent and universally beneficial. The sustainability reports tend to be presented as neutral representations of organizational activities, which “demonstrate

organizational commitment to sustainable development” (Global Reporting Initiative, 2011). We argue, however, that it is exactly these kinds of blurred statements about the nature and implications of business operations, which come to be taken as given, that allow companies to continue on their path with constantly stiffening efficiency requirements. Moreover, corporate CEOs are influential leaders and are sometimes even political figures in their national contexts. We thus argue that the corporate disclosures, and CEO letters in particular, serve as “ideological weapons” (Tinker & Neimark, 1987), reinforcing particular worldviews and repressing others. Hence, as they currently stand, the praised sustainability reports serve merely as vehicles for the legitimization of particular worldviews and courses of actions (Spence, 2009).

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Appendix A. Empirical material of the study

Year	Outokumpu		Rautaruukki	
2000	Annual report	Environment	Annual report	
2001	Annual report		Annual report	Environment
2002	Annual report	Environment	Annual report	“Update”
2003	Annual report		Annual report	
2004	Annual report	Environment	Annual report	CSR
2005	Annual report	Environment	Annual report	CSR
2006	Annual report	Environment	Annual report	CSR
2007	Annual report	Environment	Integrated	
2008	Annual report	Responsibility	Integrated	
2009	Integrated		Integrated	
Total number of reports = 32	10	7	10	5

Appendix B. Key financial figures in 2000–2009

Outokumpu and Rautaruukki; key figures 2000–2009 (MEUR).

Outokumpu	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales	3693	5324	5558	5921	5122	5016	6154	6913	5474	2611
Operating profit	427	183	267	206	468	57	824	589	−63	−438
ROCE (%)	18.8	6.7	7.0	5.0	10.3	1.3	20.7	13.9	−1.6	−11.7
Net profit		73	159	92	390	−363	963	641	−189	−336
Personnel ^a	11,932	19,428	21,130	19,359	19,465	8963	8159	8108	8471	7606
Rautaruukki	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Sales	2708	2906	2884	2953	3564	3654	3682	3876	3851	1950
Operating profit	156	93	6	128	493	618	529	537	538	−323
ROCE (%)	8.7	5	0.6	7.1	26	32.8	31.4	29.8	25.6	−14.2
Net profit	50	30	−35	53	330	455	501	458	406	−275
Personnel	13,176	13,678	13,325	12,872	12,273	11,684	13,121	14,326	14,953	12,664

^a In 2004 Outokumpu personnel decreased due to laying-off some 800 people, the rest of the decrease is due to divestment.

On the ideological role of employee reporting

A reprint of an article forthcoming in
Critical Perspectives on Accounting

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Reference to the original publication: Reprinted from *Critical Perspectives on Accounting* (DOI 10.1016/j.cpa.2012.11.004), Mäkelä Hannele, On the ideological role of employee reporting, Copyright (2012), with permission from Elsevier.

Acknowledgements: The author is grateful for the very constructive comments and help provided for earlier versions of the paper by the two anonymous reviewers and the editors of the journal; these comments played a significant role in improving the paper. The author also wishes to thank the participants of the AUT Accounting Group Research Seminar Series in Auckland, November 2009; the 8th Australasian CSEAR conference in Christchurch, December 2009; the School of Accounting and Commercial Law Seminar Series in the Victoria University in Wellington, February 2010; and the 32th EAA Annual Congress in Istanbul, May 2010. The detailed and helpful comments of Salme Näsi, Matias Laine, and Bob Miller are also acknowledged. Research funding was generously provided by the Academy of Finland, The Finnish Work Environment Fund, The Finnish Cultural Foundation, and The Finnish Foundation of Economic Education.

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*On the ideological role of employee reporting****Abstract***

This paper analyzes narrative employee reporting and problematizes corporate talk about employees. Annual and CSR reports of the 25 biggest Finnish companies from the year 2008 are investigated, and the CEO letters and the special sections addressing employee-related issues are analyzed. The study employs the concept of ideological strategies as developed by Eagleton (1991/2007) to analyze the ideologies underlying employee reporting. The analysis shows that corporate disclosure, though relatively developed in some areas, still paints a partial picture of people within companies. Employees are presented in a fairly narrow, mechanistic manner as efficiently aiming at a kind of development and growth of [only] instrumental value to companies, and not as complex, individual human beings possessing a variety of qualities and needs. The study reveals how corporate talk presents the relationship between companies and labor according to a unitarist perception. Particularly, the study shows how corporate talk works to naturalize and universalize this ideological claim and, hence, hide its contingent nature. The study adds to an increasing body of accounting literature using interpretive and critical approaches to analyze corporate disclosures and to study the less developed area of narrative employee reporting. The study also highlights the possible advantages of social accounting.

Keywords: Critical; Social; Employees; Corporate disclosure;

INTRODUCTION

This paper reports the findings of a study that is explicitly interested in employees. The meanings we relate to 'employees' are diverse and their implications more far-reaching than any simple conception may imply¹. The fact that a concept often has various meanings is essential in understanding our lifeworld (Berger and Luckmann, 1966).

Living in a capitalist market society, our lives are influenced on many levels by business organizations. As an essential part of the whole socio-political system, let alone through the various everyday practices we are exposed to as employees, these corporations affect our well-being. However, the 'employee' cannot be isolated from the human, nor can we isolate the work situation from the life of the person in general (Cooper and Essex, 1977; Flanders, 1968). Human well-being is a combination of various issues contributing to the freedom, health, and happiness of people, and what it means and how to best achieve it are perhaps the most fundamental political questions. The neo-liberal² politics exercised in the European Union emphasizes the efficiency of private companies in providing welfare in society.

Due to multinational business organizations' growing power and influence (Bakan, 2004), they are increasingly held responsible for the various forms of social and environmental degradation. Aside from global warming, the media is filled with alarming reports on and examples of increasing injustice in the world (YLE, 2009; OECD, 2008³; WHO, 2008). In Western countries, like Finland, the ever greater demands of working life (especially during times of recession⁴), for instance, increase the awareness of insufficiency in public and occupational⁵ health care services. It has been claimed that the ceaseless efforts to increase profitability and the tendency to measure all resources in financial terms has made working life too exhausting (Siltala, 2007). As an extreme example, this leads to discontent with work practices and to work exhaustion; this may even further lead to death and suicide, as the recent examples from France

¹ E.g. a dictionary definition such as "a person employed for wages or salary" (The Concise Oxford English Dictionary).

² For the sake of simplicity, I use the word neo-liberalism when referring to the political system common in the Western world. Of course, there are differences in the politics and in the organisation of governments in these countries, but they all follow more or less the same principles of privatisation, free trade, deregulation and open markets.

³ Income inequality has increased in OECD countries at least over the past two decades. In over three-quarters of OECD countries the gap between the rich and the poor has grown, whereas in some countries, including Finland, the gap also increased between the rich and the middle-class. (OECD, 2008)

⁴ More than 50% of people in Finland say that the financial crisis has affected the working conditions heavily or at least to some extent (Ministry of Social Affairs and Health, 2009).

⁵ Social and health experts in Finland have even forecasted that the public health centre system is about to collapse within the coming years (The Finnish Broadcasting Company (YLE), 2009). At the same time, there is evidence of the unequal provision of the occupational health care services as between management and other employees (Taloussanommat, 2009). It has also been maintained by Professor Guy Ahonen (2009) of the Finnish Institute of Occupational Health that failures to provide sufficient work health services cost society billions of euros annually.

and Finland suggest.⁶ Thus, it is undeniable that the contemporary capitalist market society quite clearly has negative impacts on our well-being, both on societal and individual levels (Gaffikin, 2009).

In response to the public concern over the negative consequences of the current form of capitalism, corporations are engaging increasingly in social and environmental accounting and reporting (see Adams, 2002, 2004; Bebbington *et al.*, 2007; Buhr, 2007; Gray, 2006; Gray *et al.*, 1995; Parker, 2005). Many publicly listed companies are producing corporate social responsibility (hereafter CSR) or sustainability reports that tend to cover a whole range of issues from carbon footprints to stakeholder engagement and human rights (KPMG, 2008; 2011). The original aim of social accounting and reporting was, ostensibly, to pursue more transparent business operations, subsequently enabling a more democratic social order (Gray, 2002, 2006; Spence, 2009)⁷. However, earlier studies in social accounting argue that there are different perceptions of social accounting (Brown and Fraser, 2006) and of employees in particular (Ogden and Bougen, 1985; Keenoy, 1990; Brown, 1997, 2000). It has also been shown that the actual motivations for, and the results of producing CSR reports often fall short of this emancipatory aim (Bebbington *et al.*, 2008; Deegan, 2002; Laine, 2009; see also KPMG, 2011), encouraging us to further problematize the CSR reporting practices and their ideological underpinnings.

This study is interested in how corporations talk⁸ about their employees. How employees are constructed in corporate disclosure is claimed to be of relevance from the perspective of the political economy of accounting (see, e.g., Tinker, 1980, 1985; Cooper, 1980; Cooper and Sherer, 1984; Tinker and Neimark, 1987). The study is based on a notion that discourse⁹ serves to enforce certain ideological stance(s) (Eagleton, 1991/2007; Thompson, 1990) that further affect the way we construct ourselves and the world around us (Berger and Luckmann, 1966; Phillips and Hardy, 2002). In relation to the concern over the direct (e.g., work satisfaction) and indirect (e.g., economic inequality, commodification) impacts of business operations and capitalism in general, it is deemed important to analyze the way corporations portray their employees and what kind of notion of employees, or people, is constructed in the disclosure.

The aim of the paper is to critically analyze the narrative employee reporting of the top 25 Finnish publicly listed companies. As explained in more detail in the following section, accounting

⁶ Work exhaustion with related illnesses has been reported to lead to early deaths (YLE, 2010). Moreover, at least in Finland, France and China a relatively high number of employees have recently committed suicide, blaming workplace stress as (partly) responsible for the act (BBC, 2009; The Guardian, 2009; Taloussanommat, 2009a).

⁷ However, not all social accounting scholars subscribe to this view but the approaches vary (Stanton and Stanton, 2005). In general, there are different perspectives towards social accounting (Brown and Fraser, 2006) and, naturally, the stance you take also influences your perceptions on CSR reporting.

⁸ The term 'corporate talk' refers to all forms of corporate communication.

⁹ At its simplest, a 'discourse' is a certain way of understanding and talking about a certain thing, in other words, including particular ways of seeing and framing some other ways out (Jørgensen and Phillips, 2002; Spence, 2007).

researchers have shown only limited interest in the role of employees, or human beings in general, within corporate disclosure. Most studies about employee reporting use content analysis as their primary method (Guthrie and Murthy, 2009), even though employee reporting is increasingly conducted in narrative form; hence, interpretive methods would be more fruitful in the analysis. An increasing yet limited number of researchers (Livesey, 2001; 2002; Tregidga and Milne, 2006; Laine, 2009, 2010; Milne *et al.*, 2009) have shown interest in analyzing corporate disclosure and the meanings it constitutes from interpretive and critical perspectives; but such studies rarely focus on employees. It is argued that the critical, discursive approach adopted in this study on CSR disclosure is useful in contributing to the existing literature.

The remainder of the paper is organized as follows. First, the literature on employee reporting is reviewed. The section that follows discusses the concept of ideology and introduces the research design, including the research methods together with the empirical material. The results of the empirical analysis are then reported. The paper concludes with a summary of the main arguments, followed by a discussion of the main contentions and concerns.

PREVIOUS LITERATURE ON EMPLOYEES IN ACCOUNTING AND BUSINESS STUDIES

It can be argued that the role of employees in academic accounting literature is somewhat confusing. Employees have been the focus of studies in human resource and intellectual capital accounting (many studies originating from Flamholtz in the 1970s and 80s, and more recently, for instance, work by Roslender, 2009; Roslender and Stevenson, 2009; Guthrie and Murthy, 2009; Petty and Guthrie, 2000; Mouritsen, 2003, 2006; and Mouritsen, Larsen and Bukh, 2001); management accounting (e.g., Hopper and Armstrong, 1991; Cooper and Essex, 1977); work related to trade unions and collective bargaining (Brown, 2000); and (rarely) in social accounting (e.g., Adams and Harte, 1998; Adams and McPhail, 2004). These research fields tend to understand and construct [the role of] employees very differently. The concern for sustainable development has created new kinds of tensions, not only in the discussion of the environmental impacts of corporations, but also in how we understand corporate responsibilities towards human beings. Nowadays, the cultural and social responsibilities of corporations are more explicitly debated (UNDP, 2011), adding interest to analyzing how the companies themselves talk about such matters.

Keenoy (1990) and Ogden and Bougen (1985), when reviewing the literature, distinguish two very different ways of understanding employees, or 'human resources' and their role in the production process: the managerialistic and the critical/dialectical. Firstly, the "managerialistic view" sees employees as a manageable resource (or, in accounting terms, an asset or expense) to optimize the profit of the companies (this does not exclude the idea of 'treating employees nicely',

quite the contrary). Secondly, we may adopt a more critical viewpoint deriving from the Marxist perspective and focus on the exploitation of labor in the capital accumulation process (Keenoy, 1990). The Marxist tradition is concerned with the exploited and oppressed position of labor in the production process and with how this societal role of an individual (at least to some extent) predefines his or her whole existence. There are many other ways of understanding people, too; for instance, one might adopt a humanistic/holistic perspective that appreciates [human] life as such. So far, the managerialistic conception has been prominent in human resource accounting and management and intellectual capital studies, and even in social accounting.

Brown (2000) has analyzed competing ideologies in the accounting and industrial relations environment (see also Brown, 1997). Drawing on Fox (1973, 1985) and Ogden and Bougen (1985), Brown describes three different – unitarist, pluralist, and radical – approaches to understanding industrial relations. To sum up, the unitarist assumption (or ideology) assumes shared interests between different parties, i.e. management and employees. “The belief in common objectives and positive-sum relationships leads to a denial of organizational conflict” (Brown, 2000, p. 46). The pluralist assumption rejects the notion of unitarist interests and emphasizes the diverse and often conflicting interests of employees and management (or different groups, or individuals in general). “Conflict is based on genuinely different interests and is both inevitable and legitimate” (Brown 2000, p. 51). The radical approach then again criticizes the pluralist view for not taking into account the “imbalances of power and resources in capitalist society” (Brown 2000, p. 61). The pluralist view assumes equality between different parties and viewpoints in society; however, the present structural arrangements do not appear to support this kind of view (a perception that this article also subscribes to). Brown discusses the varying implications of these different ideologies for industrial relations, and emphasizes that these different approaches are based on very different sets of assumptions about society and organizations and, naturally, of the understanding of and the role of employees.

As mentioned above, these very different ways of ‘seeing’ employees [human beings] are based on very different kinds of world-views. The social constructionist tradition (Berger and Luckmann, 1966) maintains that these different ways of seeing things affect the way we come to understand our lifeworld. Therefore, how companies portray and conceptualize the role or position of employees is of great importance, as it serves as reinforcing a particular world-view [and power relations]. In other words, and as will be explained in more detail below, they can be understood as ideologies. Milne *et al.* (2009) call for further research on how companies use ideological strategies in positioning themselves in the discursive contest over sustainability. Before turning to this, we briefly review the literature and practice of employee reporting.

Development of accounting and reporting about employees

Although employees have always been part of accounting and reporting as labor costs in financial statements, the real peak in the practice of human resource accounting¹⁰ and social disclosure occurred during the late 1960s and 1970s. In the 1970s, human resource accounting was among the most popular branches of accounting studies. There was a lively debate around “putting people in the balance sheet” (Hekimian and Jones, 1967) (see Flamholtz, 1985; Gröjer and Johanson, 1998; Guthrie and Murthy, 2009; Roslender, 2009; Roslender and Dyson, 1992; Roslender *et al.*, 2006; and Roslender and Stevenson, 2009 for a literature review). However, soon after this there was a clear decline in interest in human resource accounting and reporting, with a few active researchers still developing the field (see e.g. Edvinsson, 1997; Gröjer and Johanson, 1996, 1998; Mouritsen *et al.*, 2001a, 2001b). During the 2000s “accounting for people [...] re-emerged as an increasingly well-subscribed research topic” (Roslender and Stevenson, 2009, p. 3). Despite this, there are still frequent calls for further research on human capital accounting (Cuganesan *et al.*, 2007; Guthrie and Murthy, 2009; Petty and Guthrie, 2000).

A similar kind of development has been identified in the field of social and environmental accounting¹¹, both in practice and in academia. Social accounting was popular in the 1960s and 1970s (Gray, 2002; Parker, 1986). Interest in social accounting among accounting scholars declined soon after this, so that during the 1980s and 1990s relatively little attention was paid to accounting and reporting on employees. Within the last decade, there has again been increasing interest in social accounting (Parker, 2005; Thomson, 2007), in line with the growing concern over the political implications of the corporate operations, as well as the overall state of the world. Nevertheless, it has been noted that, despite this increased research interest in social and environmental accounting, it has not centered on employees (Gray, 2002).

A critical approach to employee studies

The ‘critical accounting project’ (see, e.g., Cooper and Hopper, 1987, 1990; Cooper, 1995; Gaffikin, 2009; Gallhofer and Haslam, 1997; Laughlin, 1987; Roslender and Fincham, 2001)

¹⁰ Human resource accounting (HRA) is here seen to somewhat differ from social accounting. They both share the interest in employees, but HRA can be seen as a more “mainstream” approach with the aim to identify and report investment in the human resources. Social accounting, then again, often explicitly points to the need to widen the traditional economic scope of accounting, to “go beyond a narrow instrumentalism” (Gallhofer and Haslam, 2003, p. 106).

¹¹ Whether human ‘resources’ are part of social accounting or sustainability at all has divided accounting scholars (Gray *et al.*, 1987, 1996), HRA being thus quite often omitted, for instance, from literature reviews within social accounting. However, it is here maintained that the question of how people are being treated within organisations (and all the implications of this) is very much concerned with the broader discussion of sustainable development, and most definitely an important part of the related, overall idea of a critical and enabling accounting ‘project’. Furthermore, as stated by Johnston (2001) and Vuontisjärvi (2006), the way companies treat their employees can be seen to reflect the overall corporate culture; if a company does not show respect and responsibility towards its employees, it is highly unlikely to do so to the social and natural environment as a whole.

was reported as starting to develop in the 1970s, encouraging accounting scholars to consider more critically, and to become more attentive to the implications of, the accounting discipline. As stated by Knights and Collinson (1987, p. 457),

[...] researchers have been concerned to construct perspectives which are capable of linking accounting practices to the broader social, political and economic activities that, in taking-for-granted, orthodox financial accountants participate in legitimizing and sustaining. These alternative perspectives are concerned to understand accounting not simply as a set of neutral techniques but as a *political process*, one effect of which is to lend support to management's control over labor.

Accordingly, there are social and political implications of accounting for people and of the way human beings are being treated by [business] organizations (see also Spence and Carter, 2011). The main concern related to the idea of accounting for people appears to be that the overall idea of human beings being monitored, accounted for, reported on, and controlled [using numerical and financial measures] raises serious ethical concerns. The critical stream of accounting literature seems to agree that the current accounting system treats people instrumentally, as mere resources in the business process (see also Spence, 2009). Within this view, people are easily replaceable and interchangeable (Gowthorpe, 2009). Instead, it is suggested by the critical theorists that, as people are "living, sensate individuals who are at the heart of all activity in business enterprises," they should be "treated as having intrinsic and not merely instrumental value" (Gowthorpe, 2009, p. 8). Further, Chryssides and Kaler (1993, p. 99) state, "to act morally we must respect the personhood of people and never treat them simply as a means to an end but always, and primarily, as an end in themselves".

The critical stream of management accounting studies (see, e.g., Arnold, 1999; Hopper and Armstrong, 1991; Knights and Collinson, 1987; Miller and O'Leary, 1987) addresses questions such as how employees are controlled and managed with management accounting techniques and processes, and how it is that the long-term focus on employee well-being is sacrificed to short-term profitability. There is also a research field focusing on the relationship between accounting and collective bargaining, contributions (e.g., Cooper and Essex, 1977; Amernic, 1985; Owen and Lloyd, 1985; Amernic and Craig, 1992; Brown, 1997, 2000; and Lee and Cassell, 2008). Critical scholars (e.g., Cooper, 1980; Cooper and Sherer, 1984; Puxty, 1991, 1986; Tinker, 1980, 1985; Tinker *et al.*, 1982; Tinker *et al.*, 1991; see Gowthorpe, 2009 for a literature review) have made important contributions to the literature, maintaining that "as a set of socially constructed practices, accounting will accord with capitalist society's prevailing belief system" (Gowthorpe, 2009, p. 12).

This section has shown that since the 1960s and 1970s, for one reason or another, interest in employees within the accounting literature has been slight. Much of the existing research in human resource accounting, and particularly in reporting, has used content analysis and other descriptive methods as its main research methods (Abeysekera, 2008; Day and Woodward, 2004;

Guthrie and Murthy, 2009). Critical accounting theorists also have so far shown little interest in analyzing corporate disclosures about employees. This paper contributes to the literature by analyzing the narrative form of employee reporting with interpretive and critical methods, problematizing corporate discourse on employees. This is done in response to the lack of critical studies focusing on the current narrative employee reporting practices, and with the aim of contributing to the development of other, more democratic forms of accountings. Through the concept of ideology, it is maintained that what and how corporations say about their employees is not irrelevant.

IDEOLOGY

Though rarely linked to the “mainstream” accounting literature, the concept of ideology is not uncommon in accounting. Over the years, there have been many critical scholars interested in the interconnected relationship of accounting and ideology and how accounting perhaps serves certain [dominant] ideologies. Arrington and Puxty’s (1991) as well as Baker (2005) review studies, for instance, by Zeff (1978), Neimark (1986), Williams (1987), Lehman (1992), Tinker *et al.* (1982) and Tinker (1988). Furthermore, Oakes *et al.* (1994), Robson *et al.* (1994), Cooper (1995), Catchpole and Cooper (1999), Everett and Neu (2000), Neu *et al.* (2001), Ferguson *et al.* (2005; 2009), Milne *et al.* (2009) and Mäkelä and Laine (2011) have more recently shown an interest in the concept of ideology as it is related to accounting.

Ideology is a multifaceted concept. The origins of the concept relate to the French Enlightenment and to Destutt de Tracy, who invented ideology as “the theory of theories” and as “the first science” (Eagleton, 2007, p. 63; Thompson, 1990, p. 29; Uusitupa, 1991). In other words, originally, the word “ideology” literally meant “the scientific study of human ideas”. De Tracy aimed at developing a systematic method for analyzing all other theories. He considered ideology as the foundation for all reliable knowledge and he wanted education, moral, and legislation to be developed on the basis of the science of ideology. However, it was Napoleon who gave ideology the pejorative meaning that has been attached to the concept for hundreds of years now. Napoleon claimed that ideology was illusion, or “abstract speculative doctrine”, divorced from reality (Thompson, 1990, p. 31; Uusitupa, 1991). As stated by Thompson (1990, p. 32), “ideology qua positive and pre-eminent science, worthy of the highest respect, gradually gave way to ideology qua abstract and illusory ideas, worthy of derision and disdain.”

However, one of the people most commonly related to the study of ideology is Karl Marx, even though he himself actually wrote very little about ideology as such. What Marx “really meant” when using the concept is often debated (Eagleton, 1991/2007; Thompson, 1990; Uusitupa, 1991). His incontestable importance in the historical debate over ideology lies in the fact that he adopted the negative understanding of the concept [introduced by Napoleon] and he linked it

with the theoretical and political program, transforming the concept and giving it more substance (Thompson, 1990; Uusitupa, 1991). Just as with de Tracy and Napoleon, the battle between Marx and the “Young Hegelians” was about the connections between thought and reality. Marx claimed that the German ideologists failed to see these connections between their ideas and the social-historical conditions; thus, their criticism, which was based on abstract ideas, lacked any transformative power (Marx, 1958). In one of his most often stated quotations, Marx (1958, p. 308) states that;

[...] neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life [...]

Since Marx¹², many philosophers have developed the concept of ideology further. Thompson (1990) and Eagleton (1991/2007) (see also Hall, 1983) collect the main arguments for ideology, providing a foundation to study ideology “in practice”. They both follow the common distinction between a “neutral” and a “critical” notion of ideology. Thompson defines the latter as “meaning in the service of power.” Eagleton elaborates this further by analyzing the limitations of the concept. Defining any belief system and a rigid set of ideas (Eagleton, 1991/2007) as ideological threatens the very essence of the concept, as counting everything in does not really tell much about what is special in the concept. Moreover, not every set of ideas can be considered ideological. Then, again, restricting oneself to the definition of ideology as something that serves to sustain the relations of domination (Thompson, 1990) would leave many “alternative” – as opposed to “dominant” – sets of beliefs out from the definition, even though these are exactly the ones that are considered ideological in everyday language. Another point that Eagleton (2007, p. 7) makes in this regard is related to the “nature of power itself”: “To limit the notion of power to its most obvious political manifestations would itself be an ideological move”. In other words, following the later Foucauldian understanding, power is difficult, if not impossible to locate or specify, yet certain ideas and occasions surely hold more power than others do.

Getting closer to what is considered ideological in this paper, Eagleton connects the Foucauldian concept of discourse to ideology, saying that ideology is a matter of discourse. Ideology works with actual uses of language to produce specific effects. Importantly, ideology must be studied in context, considering “who is saying what to whom for what purposes”, such as analyzing the power-interests they serve and the political effects they generate (Eagleton, 2007, p. 9). Moreover, studying ideology from a discursive perspective means that we must understand the historical, partial, and contingent nature of discourse (see also Foucault, 1969/2005).

¹² Marx explains the logic of how ideologies are “born” by stating that with the division of labor we come to have different classes, and one form of the bourgeois class is the category of “the legal, political, religious, artistic, or philosophic — in short, ideological forms” (Marx, 1958, 309) whose task is to “think” and which then serve as creating ideologies as they are detached from and not based on “real life”, the material conditions. However, this is not explained in detail here due to space restrictions.

Discourse and discursivity are central in the post-structuralist (and post-Marxist) understanding of ideology (see, e.g., Laclau and Mouffe, 1985; Glynos, 2001; Glynos and Howarth, 2007; Howarth, 2009). Taking the linguistic turn to its extreme, the post-structuralist conception of ideology draws, for instance, on Saussure, Derrida, and Lacan, and emphasizes the radical contingency of social objectivity. Laclau and Mouffe (1985, p. 96) define discourse as “an articulatory practice that constitutes and organizes social relations.” The role of ideology in this field of thought is then “to conceal the radical contingency of social relations and to naturalize relations of domination” (Howarth, 2009, p. 310). This work is somewhat interesting and appealing, particularly the ideas that draw on the Lacanian notion of fantasy in understanding “how subjects are gripped by discourses” (Howarth, 2009, p. 326; see also Glynos, 2001; Glynos and Howarth, 2007). However, quoting Cooper (1995, p. 206; see also Eagleton, 1991/2007 and Rehmann, 2007), “if one takes the crude reading of the post structuralist case too far that signifieds are simply determined by signifiers {that the signifier conjures the real situation into being} or that ‘nothing exists outside of the text’, then there could be no ‘real’ situation to work on.” Naturally, there is variation in the post-structuralist work, and not all subscribe to this extreme view.¹³ However, the present study remains cautious of theories that appear too close to the post-structuralist notion and, particularly, points to power inequalities and limitations deriving from our material conditions. As stated rather ironically by Eagleton (2007, p. 219), “a practice may well be organized like a discourse, but as a matter of fact, it is a practice rather than discourse”.

Undoubtedly, studying ideology as a systematic practice is very difficult as it is impossible to categorize particular circumstances where ideology exists or does not exist. As ideology is fundamentally linked into our everyday lives, it is impossible to trace all possible ways of being of ideology. As has been said, ideology functions best when and where we do not see it. However, we can find examples of the workings of ideology in many areas of our lives. In the present study, the corporate annual reports have been chosen as an area of study for the obvious reasons related to the power of global corporations.

To trace and show some of the workings of ideology, however, we must have some reference points – something to hold on to. The study follows the ideological strategies introduced by Eagleton (2007, p. 33; see also Thompson, 1990) and argues for the theoretical and practical value of the Eagleton framework in analyzing ‘real life’ situations. Eagleton classifies what he calls ideological strategies into six different categories. Strategies are said to be *unifying*, *action-oriented*, *rationalizing*, *legitimizing*, *universalizing*, and *naturalizing*.

¹³ For instance, Brown (2009, 322) drawing on the work by Laclau and Mouffe (1985) maintains that the external world exists outside discourse but it is discourse that constructs matters as *meaningful* (see also Glynos and Howarth (2007) for a similar view). Furthermore, Brown (2009) acknowledges the linkages between interpretive possibilities and material structures.

By *unifying*, Eagleton means that ideologies often create a union of individuals, linking them with collective values and identity and showing them as unitary. This can be done by the standardization of language and symbols and by using language that emphasizes the collective nature of the groups or individuals (see also Thompson, 1990). Another typical feature of ideology [that works] is that it is *action-oriented*. As stated by Eagleton (2007, p. 47), “However abstrusely metaphysical the ideas in question may be, they must be translatable by the ideological discourse into a ‘practical’ state, capable of furnishing their adherents with goals, motivations, imperatives, and so on”. Furthermore, it may not make people perform a particular act, but, rather, distracts them from something or prevents them from act against something. Again, as Eagleton (2007, p. 48) points out, a successful ideology works “both practically and theoretically” and links these two. By *rationalization*, Eagleton (2007, p. 51) means a “procedure whereby the subject attempts to present an explanation that is either logically consistent or ethically acceptable for attitudes, ideas, feelings, etc., whose true motives are not perceived.” Closely linked to rationalization, Eagleton sees *legitimation* as a means of establishing one’s interests as acceptable by others. For instance, a company cannot survive for long if the surrounding society does not see its operations as [morally] acceptable. Ideology also works by *universalizing* interest. In other words, it presents the interests and values of a particular group as universal and equally beneficial to all members of society or a particular group. This is further enforced by *eternalizing* them, detaching them from their socio-historical backgrounds and presenting them as self-evident and obvious. This is again linked to the idea of naturalization, which is essential in understanding the workings of ideology. To say that certain ways of seeing, or ideologies, become naturalized means that they are presented as self-evident and natural; they become presented as normal and as part of the common sense of our everyday lives so that it rarely happens that they are questioned or that any alternatives are recognized.

To sum up, Eagleton (1991/2007) relates ideology to the interests and power conflicts that, at any given time, are fairly central to a whole social order (Eagleton, 2007, p. 10). This article employs the concept of ideology by attempting to reveal contingency and naturalization in discourse. Importantly, Eagleton (2007, p. 59) writes about the “dehistoricizing thrust of ideology,” by which he means the:

[T]acit denial that ideas and beliefs are specific to a particular time, place and social group. [...] to conceive of forms of consciousness as autonomous, magically absolved from social determinants, is to uncouple them from history and so convert them into a natural phenomenon.

In relation to this, as Marx stated, when analyzing ideologies, it is essential to start from the “real world” – our material existence. Both Eagleton and Thompson also emphasize that when studying ideology, we must always take into account the context within which ideology is studied. This article does not make explicit use of the context in the analysis in the way recommended by Thompson (1990) (see also Ferguson, 2007) – in other words, it does not study the reception of

the texts.¹⁴ However, following Marx and Gramsci (1971/1979) (see also Eagleton, 1991/2007) the study relies on the idea of historicity and argues for the importance of the broader societal context of all [accounting] activities and the underlying power relations, hence, making explicit the historical context and political nature of accounting itself. The study relies on the concept of ideology and maintains that, despite its often neutral and taken-for-granted nature, accounting discourse [promoting market-based business operations] is essentially political in nature. Hence, the study aims at identifying the ideological underpinnings of business talk and accounting-related texts, creating space for a more democratic¹⁵ society through enlightenment.

APPROACH, EMPIRICAL MATERIAL, AND METHODS OF ANALYSIS

This study is based on the idea that language and language use are never neutral, instead being ideological and often strategic, creating particular ways of seeing things. From this perspective the paper analyzes language use in a particular medium: corporate annual reports. The aim is to problematize the corporate talk about employees and analyze the often taken-for-granted view of employees from an ideological perspective. The paper reports an analysis of the disclosure of the 25 largest¹⁶ (by sales) Finnish companies from 2008. More specifically, the empirical material consists of the CEO letters in annual reports as well as special sections addressing employee-related issues (normally reported under the title “People”, “Human Resources”, or “Employees”). When there is a standalone CSR report published by the company, the corresponding parts of the report are included in the empirical material. All the reports analyzed were published in English. The companies represent a wide range of industries and vary in terms of financial performance and the number of employees. Although a limited sample, the companies are seen to represent the majority of publicly listed Finnish companies, as all these publicly listed companies are exposed to a similar set of circumstances. Likewise, as all the companies operate in global markets and are exposed to the same global competition, market environment, legislative and societal pressures, and so forth, the results are of international importance as well.

¹⁴ Even though it is argued to be of importance here, too, and the ‘reception’ of the texts is being discussed to a certain extent when referring to the employee voices and perceptions; i.e. the ‘competing ideologies’.

¹⁵ There’s a well-placed discussion on the concept and meanings of ‘democracy’, which is often stated to be the aim of social accounting. Brown (2009) argues that there should be clearer distinction between the notions of a consensus-based democracy and an agonistic democracy (Laclau and Mouffe, 1985), the latter acknowledging the fundamental conflict among different groups (classes). This discussion is much needed and relevant in this paper’s setting as well, however this paper does not subscribe to the post-structural world view underlying the (later) work by Laclau and Mouffe as such. Moreover, no matter what kind of form/notion of democracy we adopt, it is here argued that it does not make any fundamental difference to the fact that we first need “enlightenment” in the form of making explicit the ideological underpinnings.

¹⁶ See Appendix 1 for details of the empirical material that consists of the disclosure of top 25 Finnish companies as measured by sales. Nokia is excluded from the empirical material because of a different way of reporting, as well as the banking sector.

CEO letters were included in the study because they are seen to reflect organizational culture and atmosphere (Amernic *et al.*, 2010, 2007), thus addressing issues that are of value and relevant to the company. They are also an essential form of corporate communication – seen to communicate the values of the company (Amernic *et al.*, 2010, 2007) to its stakeholders. It is deemed important to analyze, along with the more specific reporting about the employees, the CEO letters to see how the role of people is communicated as part of the corporate values and “agenda”: what kind of role people play in the company in general.

The empirical material was analyzed by a method similar to critical discourse analysis (see, e.g., Alvesson and Kärreman, 2000). More precisely, the textual analysis made use of the construct of ideological strategies as introduced by Eagleton (1991/2007). The theoretical and practical value of the Eagleton framework is maintained here; to be able to show examples of the workings of ideology, we must have some articulated means for doing so. In practice, the reports were read-through numerous times, getting more into detail in each reading. Originally, the reports were read to get a general picture of the contents of the reports, focusing on what was being said and what was omitted – for instance, focusing on the most dominant themes and silences in the disclosure. In terms of defining what is “silenced”, newspapers, Internet, related books, and other relevant media were also used to find information about important issues related to “employees” and to see whether the same information was discussed in the corporate disclosure. This was important to be able to let the employee voices in (in other words, to make explicit the conflict and the “competing ideologies”). The next rounds of readings then focused more precisely on the use of ideological strategies – strategies of unification, action-orientation, rationalization, legitimation, universalization and naturalization – as classified by Eagleton (1991/2007). After this, the empirical material was used to confirm the findings and to ensure the completeness of the analysis.

CONTEXT OF REPORTING

Finland is often used as an example of the social democratic welfare state model¹⁷ typical for the Nordic countries, which emphasizes equality both of opportunity and of outcome. The model is believed to be [one of] the reason[s] for the relatively high level of happiness and life satisfaction among people living in the Nordic countries. The Nordic people, including people living in Finland, have been reported to be the “happiest” around the world. They rank highest in the general life satisfaction surveys (Eurofound, 2009). The peak of the Finnish welfare state, in terms of the extent of the public services available, was at the end of 1980s, just before the drastic economic downturn of the early 1990s.

¹⁷ A common typology of three different types of welfare state models was developed by Esping-Andersen (1990), of which the social democratic one emphasizes the role of the state as a provider of welfare services to all citizens, regardless of their socio-economic status.

However, during the last two decades, the Finnish welfare state has declined as a result of the cuts in public funding caused by the two economic downturns. Simultaneously, neoliberal politics have gained prominence in Finland and all over the world (Harvey, 2007). Due to the political turn to deregulation, privatization, open markets, and competitive individualism, Finland is no longer considered the “welfare state” it used to be (Pelkonen, 2008). Even if the rhetoric and reputation of welfare and democracy persists, the Government is now explicitly leaning towards open markets, with emphasis on profitability and privatization, transforming many of the former services and functions of the state into corporations.

The empirical material was collected for 2008, when the global financial crisis took hold and turned into a global recession. This is acknowledged as having an effect on reporting, as studies show that the level of CSR reporting is dependent on the company’s level of financial performance (see, e.g., Gray *et al.*, 1995; Mills and Gardner, 1984; Roberts, 1992; Ullmann, 1985). However, the worldwide economic downturn should not have any [negative] effect on CSR reporting as it is here assumed that companies that take up CSR reporting should follow the accounting principle of continuity and aim to demonstrate accountability towards stakeholders (i.e., report more or less similarly) from year to year. Should the recession have an effect on reporting, the findings are interesting in the light of CSR, as it is maintained that the “real responsibility” of companies should be evaluated when economic and other responsibilities collide. In other words, it is during times of financial challenge that the “real” responsibility of companies is tested (Boyce, 2008).¹⁸

The labor markets and the collective labor relations system are strictly regulated in Finland. However, like the rest of the world, corporate social reporting is mostly unregulated and based on the voluntary actions of the companies. This includes reporting for employees, as there is hardly any legislation on disclosing information regarding employees or their treatment. According to the Accounting Ordinance of Finnish law (30.12.1997/1336), companies only need to report the average number of employees, wages and salaries, pension costs, and other personnel-related expenses. Furthermore, the Finnish Accountancy Board provides companies with guidelines and recommendations on how to disclose information about employees as part of the annual report. It has been reported in earlier studies that information about the personnel in the annual reports of Finnish companies has been limited (Paukkunen, 1998; Rokkanen, 1999; Vuontisjärvi, 2006) and that disclosures tend to be descriptive and general in nature and that quantitative information is largely missing (Vuontisjärvi, 2006).

¹⁸ However, and particularly as the material is not longitudinal but from one year only, it is impossible to say anything about the potential causal effects of the financial crisis and its implications for the reporting.

THE RELATIONSHIP BETWEEN PEOPLE AND BUSINESS

In this section, the findings from the empirical investigation are presented. As explained earlier, the empirical analysis focuses on the dominant themes as well as on the omissions in the corporate disclosure about employees: the CEO letters and the employee sections. The analysis follows what Eagleton (1991/2007) calls ideological strategies, and it is centered around (re)constructing the role of employees from an ideological perspective.

Business environment and the companies

According to the analysis, within the CEO letters, the predominant themes include discussion of the financial year and description of the financial and operational performance of the companies, as well as the measures the companies had taken to ensure profitability. The overall themes¹⁹ in the employee reporting included the continuous development and personal growth of personnel, well-being of employees, excellence and competence, occupational health and safety, and personnel satisfaction surveys.

In general, the CEO letters do not talk much about employees. The CEOs mainly focus on the core businesses and business decisions. The subsequent financial performance of these actions and their exceptions are rare. From the perspective of Eagleton's ideological strategies, it is interesting to note the absence of employees from the CEO letters. By focusing on the shareholders only and by omitting all other stakeholders, the CEOs prioritize and universalize the interests of the shareholders. These findings are also similar to Brown's (2000) discussion on the dominance of unitarist ideology. The CEO letters also "paint the big picture" of the companies and the business environment, the context within which employees are talked about.

The reports are collected from the year 2008, a notable year because of the global financial crisis. Not surprisingly, almost all the CEO letters from 2008 discussed at length the worldwide financial crisis and its implications to the companies and the society. The business environment was described as tremendously difficult, challenging, exceptional, and as one of extremes. The market conditions were tough, drastically volatile and, particularly during the financial turmoil, in a crisis. The situation was described with the metaphor of stormy weather, using terms like swing, storm, and shaking the world. The companies themselves were presented as strong and successful (if not always financially, but at least in their capabilities in doing business) and actively taking measures to succeed during difficult times. Most CEOs described their organizations as strong, operating from a strong base (YIT, 2008), and taking strong actions (Huhtamäki, 2008) on their never-ending "journey" (Tieto, 2008). Even in the storm caused by the financial uncertainty, the companies were not lost but up-to-date and ready to act.

¹⁹ However, there was of course variety in terms of the employee disclosure. Some companies, namely Stora Enso and Kesko, which have been praised for their reporting reported more widely about employees. Overall, the companies publishing a standalone CSR/sustainability report disclosed more information about their employees than those publishing integrated reports.

We are clearly doing the right things and heading in the right direction (Kemira, 2008).

The unusual financial year of 2008 had its consequences on the global market and these companies. The conditions caused challenges and uncertainty and created pressure for the companies to act. As the financial crisis affected the markets and the global demand, almost all of the companies discussed the need to adjust their operations according to the changes in the market and to maintain their profitability. Almost all of the companies reported having taken “significant measures”, gone through “tremendous changes” (Tieto, 2008) and having started some form of “streamlining” to increase profitability. Some of the companies had renewed their whole strategy to be more efficient and to respond to the consequences of the crisis and subsequent decrease in demand.

We took determined measures to strengthen our cash flow and maintain our competitiveness. We adjusted our operations rapidly to match the demand and strengthened our financial position (YIT, 2008).

[...] we immediately took strong actions to define ways to achieve further financial success. [...] During 2008, we implemented actions to reduce costs and addressed loss-making units (Huhtamäki, 2008).

As the empirical material was collected from the 25 financially most successful Finnish companies, most of them, despite the global crisis, were doing well; they reported strong financial positions and cash flow. However, even the companies that described year 2008 as a success²⁰ felt the need to adjust their operations. This was legitimized and justified (Eagleton 1991/2007) with the market demands and with the need to keep up with the competition. The organizations “needed” to be flexible and lean to make it easier for them to adjust operations to the current needs of the market.

Outokumpu is facing this situation from a strong financial position: we have a healthy balance sheet, our debt maturity profile is balanced and our cash flow is good. As a company, however, we have to be prepared for a scenario in which markets will remain weak for some time ahead. Thus we made some decisions on decisive actions [...] that aim at maximising our short-term cash flow and ensuring financial flexibility (Outokumpu, 2008).

[...] preparations for a change for the worse were necessary (Konecranes, 2008).

Our overall results were good and, operationally, it was the best year ever, even though the operating environment was very challenging. It must be noted, however, that there is also room for further development under the good overall results (Fortum, 2008).

Overall, along with the discussion of the difficult year, the measures taken to increase profitability were the predominant themes in the CEO letters. As even the companies that had a financially

²⁰ The companies represent a variety of industries (including forestry, IT, retail and food processing, sports, airline, construction), both cyclical and defensive industries, i.e. tolerating the effects of the market cycle in different ways.

successful year “felt the need” to adjust and take measures, the reasoning for these adjustments was unclear. The situation and the subsequent “need” to cut costs were rationalized (Eagleton, 1991/2007) in such a way that the logic was never even questioned. Increasing profitability through cost cutting was presented as the aim as such, not as a means to a particular end, even though it was far from obvious that this would always work to increase corporate performance. In addition, talk about “necessary” operations left no room for other possible means of organizing performance. This was further enforced by using the passive voice [see also Thompson (1990) on passivisation]. There was “no other choice” but to follow. Furthermore, the use of Eagleton’s universalization strategy was also present. Most of the companies described the operations [only] in a positive light, stating how they had been “successful in implementing the efficiency programs” (Elcoteq, 2008). Interestingly, even though employees were not explicitly present here, they were indirectly referred to as part of the cost structure, as costs that needed to be adjusted and reduced.

By omitting all other stakeholders and universalizing the interests of shareholders, the companies presented the situation as equally beneficial, following the ideology of neoliberal politics and unitarism (Brown, 2000). The profitability measures and the subsequent workforce reductions, in particular, were often reported without any reference to the employees, even if they had been stated to be most vulnerable to the effects of downsizing due to their lack of mobility (Barsky *et al.*, 1999; Mäkelä and Näsi, 2010). Moreover, the conflicting views by the employees have been made explicit in other studies (e.g., Harte and Owen, 1987; Knights and Collinson, 1987; Mäkelä and Näsi, 2010). It can be maintained that, excluding the interests of the employees, the companies explicitly prioritized the interests of shareholders and universalized (Eagleton, 1991/2007) their interests [without any “real” justification]. The interests of employees were either ignored or they were seen to be consistent with those of the shareholders.

Thus, we made some decisions on decisive actions [...] that aim at maximising our short-term cashflow and ensuring financial flexibility. The key actions are; Cost reductions: both variable and fixed costs are reduced [...]. (Outokumpu, 2008)

Several measures were implemented in order to improve profitability and to adjust operations to decline in demand. [...] Ahlstrom has also announced further restructurings for 2009 to respond to the current level of demand and to discontinue non-competitive operations. (Ahlstrom, 2008)

In almost half of the CEO letters, the disclosure on restructuring followed this kind of pattern and did not mention employees at all. Furthermore, even when employees were mentioned, it was mostly in the passive voice – for example, distancing the company from the role of causing lay-offs.

As a result of lower demand and profitability we were forced to take heavy measures with personnel impacts [...]. (Cargotec, 2008)

Decline in demand led to layoffs. (UPM, 2008)

Yet some companies did mention employees and expressed some concern for the redundant employees over the consequences of the lay-offs:

Regrettably, due to the organizational re-structuring and the cost savings program, we were forced to make personnel cuts, which is always very unfortunate. We took measures to support those who lost jobs, in accordance with local good practices. (Kemira, 2008)

Adjusting operations to market conditions [...] has regrettably also meant job reductions. In December 2008, we initiated employer-employee negotiations in respect of redundancies, layoffs and part-time working in several units. Pension arrangements, shift reorganisation, possible redeployment within the company and close contact with local employment authorities have been made to lessen the impact on personnel. (Rautaruukki, 2008)

Again, no other choice was seen as possible, and the reductions in workforce were reported mostly from the employer's point of view as a means of increasing profitability by cutting costs. Despite the dire consequences of redundancy for employees on an individual level (Barsky *et al.*, 1999; Ferrie *et al.*, 2008; Mäkelä and Näsi, 2010), very few CEOs actually pointed this out in their letters, with those that did doing so briefly. The existing conflict of interest between the management and the employees shown in earlier studies (see also Knights and Collinson, 1987; Brown, 1997; and Brown, 2000 on labor perspectives) had been silenced, and a smooth discourse emphasizing the notion of universal interests was constructed.

Even though almost all companies needed to reduce their personnel numbers in 2008, only a few companies reported the consequences of these lay-offs for their employees in detail. They also did not describe the full extent or the monetary value of the measures that the companies had (possibly) taken to ease the future of these laid-off people. Instead, turning attention to how these companies position themselves in terms of operational performance and decision-making, we find an interesting interplay of active-passive stances. The companies were weak amid the "storms" of the global market environment; however, they were strong in operational performance. They were passive when "forced" to lay-off people, while they were active when taking measures to support them. With such rhetorical devices, the companies were able to present themselves in a positive light whatever happened.

To summarize, with the use of the ideological strategies of Eagleton (1991/2007), the CEO letters followed the neo-liberalist and unitarist ideologies, naturalizing the shareholder interests of increased profitability and presenting them in a unitarist win-win situation (Brown 2000, see also Brown 1997), simultaneously obscuring other ways of seeing.

Employees and well-being

As the CEO letters were mostly focused on describing the previous financial year and financial performance, as well as the most important events in and outside the company, many issues were obviously overlooked. Overall, the role of employees, or people in general, was minimal

in the CEO letters. Out of 25 companies, there were fewer than 10 companies that actually talked explicitly about their employees in the CEO letter, and this was generally in relation to the profitability improvement programs, as discussed above. The rest of the companies did not refer to the employees at all, except for thanking them briefly among other stakeholders in the last paragraph of the letter.²¹ Despite some limited communication about employees and a few sentences about employee well-being, what was clearly absent from the CEO talk was the “human side” of the employees. Only the CEO of Stora Enso talked about treating each employee as an individual. Otherwise, employees were not mentioned in the CEO letters as human beings or persons, but mainly as employees, contributing to the continuous growth and maximizing shareholder value. As discussed in Eagleton (2007), ideology essentially works as hegemonizing certain understandings of “the real” and silencing other. Here, the employees are presented in a manner suitable for the purposes of neoliberal logic. However, the employees were thanked for their contribution. Except for one company, all the CEOs expressed their gratitude towards employees in the last paragraph of their letter, along with thanking other stakeholders. For half of the companies, this was the only occasion where employees were mentioned in the CEO letter.

Our employees have already been directly contributing to the success of the business.
(Huhtamäki, 2008)

I would like to thank our customers and partners for their cooperation during these times of turbulence and uncertainty. I would also like to express my gratitude to all Cargotec employees. (Cargotec, 2008)

Unlike the CEO letters, the sections devoted to “People” or “Employees” obviously explicitly discussed employees. The employees of the companies were described to be (or hoped to be, in terms of future recruitment) “skilled, active, and involved” (Kemira, 2008), “the brightest and the best” (Stora Enso, 2008), “committed, motivated, and skilled” (Konecranes, 2008), “dynamic and professional” (Sanoma, 2008), “committed, dedicated, and motivated” (Ahlstrom, 2008) and “sharing expertise” (Rautaruukki, 2008). The companies also emphasized the importance of their employees [in creating corporate success]:

²¹ There were a few exceptions, the most remarkable one being Stora Enso. In the CEO letter of Stora Enso there was a lot of talk about employees and “our people”. The letter also devoted a notable amount of space to explaining the difficult times leading to restructuring actions and the “huge impact” of these to the employees. A few other companies showed more emphasis on employees in their CEO letters too. For example Kesko, which for years has been known and awarded for its high level of corporate social reporting, discussed employees in its CEO letter. Others that talked about employees include the CEOs of Kemira (chemicals), Outokumpu (metals & mining) and to some extent Neste (oil, gas & consumable fuels) and Tieto (IT). Based on earlier literature (Adams, 2002; Deegan, 2002; Gray *et al.*, 1995; Hackston and Milne, 1996) it might be that the reasons for these exceptions can be traced to the industrial sectors of these companies. Companies operating within an industry with high risks for legitimacy, i.e. oil, mining and chemicals, are more likely to disclose more information on CSR. Similarly, companies with a high level of dependency on intellectual capital (information technology) more likely provide “better” disclosure about their employees. However, the approach used in this study does not allow such conclusions, and the reasons for the increased emphasis on people remain unclear.

Having people that are competent, motivated, and customer-oriented is a cornerstone of Ahlstrom's success (Ahlstrom, 2008).

Our success lies on personnel (Kemira, 2008).

People are our key resource and highest priority as we build our future and renew our company (Stora Enso, 2008).

This can be seen as an example of the action-oriented nature of ideology (Eagleton 1991/2007). Such rhetoric that emphasizes the role of people is misleading as it offers no explanation on how companies prioritize [the interests of] people. The empirical evidence seems to emphasize the shareholders' interests. Hence, the role of such rhetoric is to motivate people and make them work more. Obviously, it also serves to emphasize the role and well-being of people during times of discontent over the means of human resource management. As stated by Keenoy (1990, p. 375), the "primary purpose of the rhetoric of HRM might be to provide a legitimacy managerial ideology to facilitate an intensification of work and an increase in the commodification of labor."

The employee reports clearly emphasized the well-being and the personal development of employees and discussed these at length. The most notable theme in the employee reporting was the continuous development of employees. The employees were encouraged to continuously develop themselves, and several development programs were initiated in the companies.

The new culture that fosters continuous improvement and cooperation (Huhtamäki, 2008)

[...] we are committed to providing our people with the tools and environment to learn and continuously improve, helping them to get the most out of their work and career in the company (Stora Enso, 2008).

Continuous people development has been on Fortum's strategic agenda since the beginning of the 2000s (Fortum, 2008).

Again, we find the workings of Eagleton's ideological strategies (1991/2007). Here, the companies unified all the individuals and stakeholders by talking about cooperation. Moreover, the objective of continuous improvement was rationalized, naturalized, and eternalized without any explanation of its logic; this was applied to employees, too. Dynamism and continuous development were so essential to the "common sense" of the businesses that they needed no justification whatsoever.

The opportunity to improve one's skills as well as the chance to advance in one's career have often been seen as desirable by employees. This was reported in the annual reports as one of the many things that employees expected from their employers. However, the opportunity to develop one's skills was not reported from the employee's point of view, but rather as a means to increase corporate competitiveness:

UPM people development focuses on supporting continuous business and organizational transformation (UPM, 2008).

Continuous learning increases competitiveness (YIT, 2008).

The group's success is built up by its employees' ability to constantly develop skills and competences (Sanoma, 2008).

This kind of reporting was not limited to the development and training of employees alone. This was also applied to the overall well-being of people. However, what the companies understood as "well-being" was not addressed in the reports, even though there were several references to the well-being of employees and the society at large.

Huhtamäki is committed to the development and wellbeing of its employees (Huhtamäki, 2008).

We have done a lot of work to promote the wellbeing of our personnel, [...] (Lemminkäinen, 2008).

Finally, the well-being of employees was not reported as an end or of intrinsic value in itself, but as something that was of instrumental value to corporate success:

Well-being is an important driver (Neste, 2008).

The ingredients for success are [...], promotion of wellbeing in work [...] (Finnair, 2008).

In such terms, the interests of the company and the interests of the society at large are universalized (Eagleton, 1991/2007). Individual well-being, societal well-being, and the optimized financial performance of the companies are presented as synonyms, as a win-win situation. This kind of rhetoric is, of course, common in sustainability literature, where sustainable performance is presented as business-as-usual (Laine, 2005).

At the time of the financial crisis and during the subsequent restructurings, the topical issues among social responsibilities are the lay-offs and their consequences. Losing one's job has severe implications to an individual's well-being. Not only is it often a major blow to the individual's income level; it raises a significant threat to mental health as well. Insecurity over one's future is one of the most stressful experiences for an individual. It has long been known that working life causes stress, exhaustion, and even burnouts (The Finnish Institute of Occupational Health, 2009). Massive lay-offs, as seen in 2008, also have significant implications at a societal level, such as increase in public health care costs, long-term unemployment with its negative consequences, and so forth. In the light of recent negative and conflicting news about well-being in workplaces, one would expect the companies to also disclose information on the mental well-being of the employees. Regardless of this, less than five out of the 25 companies even briefly mentioned the mental well-being of their employees.

In times of major change, mental wellbeing and safety protection measures are of key importance (Kemira, 2008).

Particular attention is paid to [...] achieving the right balance between work and leisure time. [...] Taking care of the personnel's mental and physical well-being for the full

duration of the employment relationship is important for the Lemminkäinen group (Lemminkäinen, 2008).

Particular emphasis was given to [...] the importance of preventing people becoming mentally and physically exhausted (Neste Oil, 2008).

Occupational health and safety (OHS) was also among the most common themes. In reporting about employees, OHS was often stated to be the most important issue related to the well-being of the employees. However, as noted earlier, the emphasis was not on mental well-being, but on the physical health of the employees and on accident rates and absences from work – in other words, on the mechanistic understanding of OHS. The safety standards in the workplace in Finland are typically at a high level. Hence, the priority of information related to OHS can be seen as somewhat irrelevant, if not misleading. It would be wrong to state that these issues are not important; however, when contrasted with the [absent] current issues of lay-offs, stress, and mental health, their emphasis in the reporting is of even greater interest. The relatively large share of disclosure about accident rates may seem irrelevant and misleading when compared to the reporting of other current issues that are largely omitted (see also Johansen, 2009). This, again, is in line with the workings of ideology that tends to silence certain negative issues and conflict to construct a particular understanding of “the real.”

Almost all the companies reported that personnel satisfaction surveys were conducted regularly in the companies. This was, of course, positive news, both regarding the employees’ well-being and in the general idea of employees having a voice in the companies. Nevertheless, the way the surveys’ results were reported left room for improvement. Quite often, positive results were given more space than negative ones were, if, indeed, the latter were reported at all. The results were often reported with a numerical value describing the general level of satisfaction. However, the scale of the grades was seldom explained. None of the companies reported the results of the surveys in a comprehensive manner, but mentioned only some of the most prominent issues that had been raised. The reader was left wondering what the actual state of the employees’ well-being in the companies was, or what it was that had been surveyed. Furthermore, hardly any clear goals for future development were reported. In addition, even though the surveys were [perhaps somewhat misleadingly] said to focus on measuring the well-being of the employees, the surveys were actually tools for performance management:

[The survey] serves as a valuable management tool (Kemira, 2008).

Personnel satisfaction was evaluated using [a program], which has been developed to meet the management and development needs of human capital in organizations (Oriola-KD, 2008).

It can be stated that the underlying purpose of the surveys is to enable the companies to better and more efficiently control and manage their employees in order to maximize corporate performance and subsequent financial success.

This section showed how corporate organizations talk about employees. When analyzed using the ideological strategies of Eagleton (1991/2007), the corporate talk emphasized the neoliberal politics and the unitarist ideology (Brown, 2000) that naturalizes these interests, silencing and denying the conflict in interest between different groups in society or between management and employees, in particular. This dominant view is being constructed with the overlapping use of Eagleton's ideological strategies; as shown here, many of them can be employed simultaneously.

SUMMARY, IMPLICATIONS, AND CONCLUSIONS

This paper contributes to the limited field of accounting literature by critically analyzing employee reporting and by problematizing the corporate talk about employees from an ideological perspective (Eagleton, 1991/2007). The empirical material consisted of the CEO letters and the disclosure on employees in the annual and CSR reports of the 25 biggest Finnish companies (measured by sales) from the year 2008. Although relatively developed in some areas, the reporting still painted only a partial picture of people within the companies. Furthermore, most of the companies only disclosed the minimum amount of employee information that was required by law. When contrasted to the news about work life from other media,²² the corporate disclosure did not report a comprehensive account of the employees, remaining silent about the negative effects of the restructurings and redundancies, for instance. The previous literature shows how the interests of employees and management (particularly when related to the restructurings at the workplace) are in conflict (Barsky *et al.*, 1999; Ferrie *et al.*, 2008; Mäkelä and Näsi, 2010, Taloussanomat, 2009a). However, this was not shown in the reports studied here, as any conflict of interest was silenced. Furthermore, the corporate reporting studied here created an image of unitarist perceptions by the management and employees. Still, as shown for instance by Brown (1997, 2000), the corporate disclosure and managerial talk relying on unitarism are not just passively accepted by the employees, but they often emphasize other ways of seeing the corporate performance.

To sum up, corporate talk in the CEO letters portrayed the companies as strong, dynamic, continuously developing organizations actively taking measures on a journey in the right direction [of continuous growth]. If the CEO letters reflected the overall corporate culture (Amernic *et al.*, 2010), then the employees were not valued much on this journey, as the employees were – for the most part – absent from the CEO letters. The particular employee sections, again, emphasized the importance of the continuous development and well-being of employees. The overall way of talking about employees highlighted employees as efficient and skilled, without any faults or weaknesses. Employees were supposed to continuously develop themselves and be ever more

²² Ministry of Social Affairs and Health (2009); BBC (2009); Taloussanomat (2009a, b); Knights and Collinson (1987); Brown (2000); Mäkelä and Näsi (2010).

efficient and better in every way.²³ The analysis showed how certain, conflicting issues (the consequences of the lay-offs, for instance) were omitted and silenced in the corporate disclosure and a “smooth” employee discourse was presented (see also Archel *et al.*, 2009). Moreover, the employee voices or “other ways of seeing” were not present in the reporting. In line with this, employees and their well-being were presented in a narrow, mechanistic manner, not as complex, individual human beings possessing a variety of qualities and needs. Employees and their well-being were shown to have [only] instrumental value for the companies (see also Johansen, 2009). This kind of discourse presented people according to the managerialistic view (Keenoy, 1990; Ogden and Bougen, 1985; Brown 1997, 2000) and not, as argued by Gallhofer and Haslam (1997, p. 81), as complex beings with various kinds of qualities, both non-materialist as well as materialist aspirations. From the ideology perspective, this study highlights the (hegemonic) dominance of the neoliberal and unitarist ideologies within corporate disclosure. Importantly, this hegemonic understanding of employees and their role in corporations silence “other ways of seeing,” in other words it obscures more pluralistic and critical views (Brown, 2000) that would make the varying perceptions and conflict explicit.

The analysis followed the ideological strategies categorized by Eagleton (1991/2007). According to Eagleton, ideologies are unifying, action-oriented, rationalizing, universalizing, legitimating, and naturalizing. The use of all these strategies could be found in the corporate disclosure on employees. Linked to the debate on sustainability (Milne *et al.*, 2009), we see a dominance of the unitarist, neoliberal logic and managerialism that emphasize the financial interests of shareholders (Brown, 2000). However, by using the strategies of unification, companies create an illusion of a “homogeneous” group of individuals and stakeholders with common interests. Furthermore, the corporate rhetoric universalizes the interests of one stakeholder group only – that of the shareholders – to apply to all other stakeholders. In other words, the logic of the neoliberal theory is presented as universally beneficial, with scant justification or “real life” examples.

Furthermore, the logic of the neoliberal ideology is not opened or explained, but held as a “common sense” that needs no justification (see also Gramsci, 1971/1979). The market logic of competition and continuous growth is totally decoupled from “real life” and is presented as natural and self-evident. The rhetoric is also action-oriented in the sense that in legitimizing [not questioning] the neoliberal ideology, it persuades people to act accordingly and not to raise any questions, concerns, or alternatives. Likewise, as the corporate disclosure uses mainly the financial language of accounting, it simultaneously works as legitimating the economic relationships (Ogden and Bougen, 1985, p. 217), persuading all stakeholders to adopt the economic orientation

²³ And with the constant risk of being laid-off and losing one’s job, they are likely to do so. The question remains, as the personal development seems to be an endless struggle, how long and to what extent can one actually continue improving and increasing one’s efficiency?

of profit, rationality, and efficiency (Ogden and Bougen, 1985, p. 219), and silencing other possible ways of valuing organizational performance.

Furthermore, the companies emphasized the employees' commitment and dedication to work for the benefit of the company. However, at the same time, the employees could not expect the same from the companies. On the contrary, they needed to "be flexible" and to live in constant insecurity and fear of unemployment. Employees were encouraged to increase their own value and become more employable and, in the process, become more valuable to themselves (Stora Enso, 2008). Similar comments have been made by the Director General of the Confederation of Finnish Industries (EK) who argued that the three key factors of competitiveness for employees are "knowledge, skills, and mobility", as a workplace is nowadays only a "momentary embodiment" of the employee's competence in the labor market (Taloussanomat, 2009b).²⁴ This rationale shows how the neoliberal politics is permeating the areas of life that formerly used to be considered "private", extending the market logic to employment and individuals as employees. Within this mindset, people are seen as capable actors, individuals responsible for themselves. Furthermore, they are suppliers of workforce, and they participate in the market by selling their workforce. In line with the neoliberal theory, as providers of labor, employees need to remain competitive actors in the job market.

After summarizing the results of the empirical investigation, a couple of questions still remain. If the managerialistic understanding of employees is so clear [or is it?], why bother discussing it again and again? The findings of this study are not surprising; similar results that emphasize the managerialistic understanding of corporate operations and unitarist ideology have been reported earlier (Ogden and Bougen, 1985; Keenoy, 1990; Brown, 1997, 2000). As Keenoy (1990, p. 374) puts it:

Charismatic leaders with visions of excellence passionately pursue extraordinary transformational missions in search of quality, flexibility, harmony, commitment, involvement and, in the final analysis, market-share of potato crisps. The question arises as to why rhetoric of such stunning banality is necessary and, as its seeming popularity attests, appropriate to capitalist enterprise at this point in time?

Interpreting Keenoy (1990), the answer to the question "why do companies bother" lies in the reconstruction of the motivation to work and in the legitimation of the managerial authority over employment in terms of the morality of the market forces. Similarly, Ogden and Bougen (1985) write about the management following the "strategies of consent". As coercion no longer works as a management practice, managers need to legitimize their actions and to construct motivation to work through the tempting (ideological) rhetoric of self-development, continuous improvement,

²⁴ There is a paragraph in the Stora Enso report describing a nowadays common situation of facing redundancy. "Challenge: How to find a new job after being made redundant? Solution: Start a business of your own." (Stora Enso, 2008). This is of course meant as encouragement for employees to start business of their own – the dream for many – but manages to sound rather tragi-comic by leaving the employee to survive alone.

excellence, and so forth. Moreover, the rhetoric of human well-being is also needed to legitimize the system that is so often accused of decreasing rather than increasing well-being in society.

The present study underscores the importance of an in-depth understanding of the concept of ideology. In particular, as Eagleton (2007, 40) quoting Žižek points out: “in contemporary societies [...] cynical distance, laughter, irony, are, so to speak, part of the game.” In other words, it may not be surprising to state that employees are only of instrumental value. The point is that, despite the fact that everybody seems to acknowledge it to at least a certain extent (and even sarcastically ridicule it), the whole society still revolves around it and acts accordingly. As Eagleton (2007, p. 40) puts it, it is about “what we do, not necessarily what we say.” This is where the power of ideology, in particular the power of neoliberal politics, lies, as stated in this study.

If the current form of employee reporting does not fulfill the alleged emancipatory and transparency aims of social accounting (Gray, 2002; Thomson and Bebbington, 2005; Spence, 2009) – but rather works as legitimizing and re-enforcing the current social system (a dominant social paradigm, as stated by Milne *et al.*, 2009), – then what is there to be done? The government policies of Finland and the European Union emphasize the voluntary approach to CSR and CSR disclosure (European Commission, 2006; Finnish Government, 2011), leaving little hope for systematic improvements in the actions of corporations.

Whether and how the [traditional means] of corporate accounting can contribute to the “real” social accounting with emancipatory aims is being debated (Cooper, 1995; Brown, 2000; Gallhofer and Haslam, 2003; Boyce, 2009; Spence and Carter, 2011). The skepticism also remains as to whether pluralism can be achieved within the current capitalistic market economy, or whether it is only enlightened managerialism even at its best (Ogden and Bougen, 1985, p. 217). Cooper (1995, p. 176), highly suspiciously, states, “there is probably only the remotest possibility that accounting could have a revolutionary potential.” Spence (2009, p. 214) discusses this potential in detail and points to our material conditions: “any superstructural element (e.g., accounting) that is enacted through the corporation will be primarily tied to that base”. However, a discussion over this potential is seen as important, since, despite the various corporate actions in the name of CSR and social accounting, the conflict remains. This article focused on reconstructing corporate talk about employees and aimed at giving possibility and visibility to more pluralistic and critical conceptualizations of management-employee relationships (see also Brown, 1997, 2000). The article also pointed out some of the “real life” conflicts and conflicting interests within this relationship (see also Mäkelä and Näsi, 2010).

A stream of accounting literature shows interest in the idea of “self-accounting” by employees. The underlying philosophy of self-accounting is pluralistic and emancipatory. In other words, employee self-accounting is designed to enable rather than to control employees (Roslender and Stevenson, 2009; Roslender *et al.*, 2006; Dillard and Roslender, 2011). It is maintained that self-accounting enables the “assets” to speak for themselves, thereby distancing themselves from the label of “costs.” Further, self-accounting is based on the needs of people themselves rather than on

financial reporting. However, the danger of employee self-accounting is that the employees could enter a discourse that is essentially managerial in its rationale (Ogden and Bougen, 1985, p. 222). Spence and Carter maintain (2011, p. 314) that “the more labor engages with accounting, the more and more they give away and become subject to rational economic calculation.” Furthermore, exposing employees to this type of allegedly egalitarian project would actually mean to “disqualify from the disclosure debate the [relevant] political, social, and behavioral factors” (Ogden and Bougen, 1985, p. 217).

Then again, there are many who see potential in the notion of (pluralistic) agonistic democracy (see Laclau and Mouffe, 1985; Glynos and Howarth, 2007; Howarth, 2009; Brown, 2009). Brown (2009, p. 316) states that accounting, as a social practice, “has the potential to serve counter-hegemonic interests.” Indeed, “social accounting arguably remains one of the most promising “spaces of possibility” (Power, 1992, p. 494) to advance democratic values, especially with the explosion of interest in the concept of sustainability” (Brown, 2009, p. 334). However, it is maintained that, despite some appealing potential and similarities with the post-structuralist studies presented above, the present study remains somewhat cautious towards the post-structuralist notion of “the constitutive openness of the social” (Glynos and Howarth, 2007, p. 163) and its potential at the systemic level. In addition, the study is cautious as to whether “being attentive to power relations” (Brown, 2009, p. 324) is enough to tackle the power inequalities and limitations deriving from our material conditions.

However, what these approaches share in common is the starting point of “exposing and addressing social and environmental problems rather than obfuscating and perpetuating these” (Spence, 2009, p. 223), hence revealing the ideological and naturalizing tendencies of corporate talk and making explicit the “conflict inherent in corporate activity” (*ibid.*, p. 208). Another important commonality these approaches share is the need to “create chains of equivalence” (Brown, 2009, 334) among the different, fragmented manifestations of these problems.

Eagleton (1991/2007) is relatively silent on the potential of “new ways of seeings,” and it appears he sees hope [only] in “active political struggle” (*ibid.*, p. 223). However, this is exactly what ideology and ideological strategies are used to suppress. Hence, drawing on Thompson (1990), this study sees some potential in the “critical interpretations”, since “how we act in certain situations depends on what our definitions of the situations are” (Hall, 1983, p. 39). As stated by Everett and Neu (2000, p. 23), “discourse with transformative potential provides space for social actors interested in change.” Accounting discourse can influence and serve counter-hegemonic interests (see also Arrington and Francis, 1993; Cooper, 1995; Gallhofer and Haslam, 2003; Brown, 2009 on these potentials) by opening up new ways of seeing and informing society at large of the various implications of corporate performance.

A debate should be continued, then, over who should actually be conducting the accounting and reporting about people (or social accounting in general) and how it should be done. Quoting Spence (2009), corporate performance, including social accounting and reporting, is, essentially,

“determined by the economic base” (see also Boyce, 2009). This paper shares the concerns of Spence and Carter (2011, p. 307) who argue that there is a danger that this kind of project, where employees would more or less need to adopt the managerialistic, financial concepts to describe their own behavior – human behavior – might be understood as “an egalitarian project, rather than the colonization of hitherto untapped areas of social life”. Hence, the real potential of “alternative accountings” lies outside of the corporate realm. Indeed, there can be other forms of accounting that “operate relatively autonomously from the economic base” (Spence, 2009, p. 213) (see also Cooper, 1995).²⁵

This paper acknowledges the merits and potential of social accounting in [at least] two ways: firstly, in making visible the wider corporate impacts and “the contradictory and conflictual character of accounting” (Gallhofer and Haslam, 2003, p. 157) social accounting can inform society at large and provide new ways of seeing. Secondly, there is potential in “alternative accountings” when applied in a context that is not corporate-centric. For instance, further studies are encouraged on analyzing social accounting in the area of social enterprises or cooperatives that aim at maximizing the well-being of society in general rather than of one group only; therefore, these are perhaps not exposed to the logic of capitalist market society. There could be a huge potential for contribution in developing social accounting within this kind of context.

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²⁵ And indeed, there are many initiatives in the history for ‘alternative accountings’, see for instance Tinker (1980), Preston (1981), and Cooper and Sherer (1984), Harte and Owen (1987), Bebbington (1997), Gray *et al.* (1997), Thomson and Bebbington (2005) Gray (2001), Dey (2003), and O’Dwyer (2005) and particularly Spence (2009).

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Appendix A. Top 25 companies in Finland**

TOP 25 COMPANIES IN FINLAND (2009)*							
Company	Employees	Industry	Revenues (M€)	Operating profit (M€)	Net profits (M€)	ROE %	Equity ratio %
Neste Oil	5 174	Oil, Gas & Consumable Fuels	15 043	174	105	6	46
Stora Enso	33 815	Paper & Forest Products	11 029	-727	-900	-3	46
Kesko	21 327	Food & Staples Retailing	9 600	148	99	9	52
UPM-Kymmene	26 017	Paper & Forest Products	9 461	-3	-282		44
Metso	28 010	Machinery	6 400	629	401	24	29
Fortum	14 077	Electric Utilities	5 636	1 877	1 526	15	42
Outokumpu	8 551	Metals & Mining	5 474	-63	-140	-1	52
Wärtsilä	17 623	Machinery	4 612	516	371	32	34
Kone	33 935	Machinery	4 603	558	420	48	39
YIT	25 057	Construction & Engineering	3 940	256	129	17	31
Rautaruukki	14 953	Metals & Mining	3 851	561	379	29	66
Elcoteq	17 401	Communications Equipment	3 443	-20	-62	-3	14
Cargotec	11 777	Machinery	3 399	174	99	14	33
Sanoma	18 168	Media	3 030	202	97	10	40
Kemira	9 954	Chemicals	2 833	60	-19	4	34
Lemminkäinen	9 776	Construction & Engineering	2 482	1189	64	17	26
HK-Scan	7 421	Food Products	2 295	36	4	5	30
Finnair	9 595	Airlines	2 263	-58	-64	-3	38
Huhtamäki	15 044	Containers & Packaging	2 260	-79	-127	-5	34
Konecranes	9 222	Machinery	2 103	248	159	58	40
Stockmann	15 669	Multiline Retail	1 879	118	61	8	39
Tieto	16 397	IT Services	1 866	110	67	16	41
Ahlstrom	6 510	Paper & Forest Products	1 802	3	-41		37
Oriola-KD	3 807	Health Care Providers & Services	1 581	36	26	13	25
Amer Sports	6 291	Leisure Products	1 577	63	23	6	31

* Excluding Nokia and banking & finance

** Based on the financial results from the year 2008 (Talouselämä, 2009).

