

CORPORATE SOCIAL DISCLOSURE AT THE MACRO-LEVEL: ASSOCIATION BETWEEN DEVELOPMENT STAGE AND GRI REPORTS

SIMONE RUCHDI BARAKAT

FACULDADE DE ECONOMIA, ADMINISTRAÇÃO E CONTABILIDADE DA UNIVERSIDADE DE SÃO PAULO -
FEA

simonebarakat@gmail.com

GREICI SARTURI

UNIVERSIDADE FEDERAL DE SANTA MARIA (UFSM)

greici@usp.br

KEYSA MANUELA CUNHA DE MASCENA

FACULDADE DE ECONOMIA, ADMINISTRAÇÃO E CONTABILIDADE DA UNIVERSIDADE DE SÃO PAULO -
FEA

keysamascena@usp.br

Introdução

Despite the notable increase in the attention given to corporate social responsibility (CSR) currently, there are different levels of CSR activities and practices among companies. Many internal factors may explain the variations in the extent of firms' CSR and, consequently, in their voluntary corporate social disclosure (CSD). However, external factors, such as institutional pressures, financial market development, governance, transparency and accountability, also affect the degree of CSD.

Problema de Pesquisa e Objetivo

Since the country where firms operate largely determines these external factors, it is important to examine the country's influence on CSD. Therefore, this research seeks to contribute to the CSD literature by analyzing the phenomenon through the country level and not the firm level, as most studies do. This paper aims to investigate the association between the countries' development stage and the level of corporate social disclosure of firms operating in these countries.

Fundamentação Teórica

The theoretical background included the discussion on CSR, CSD, and the country influence on CSR and CSD. Research hypotheses are based on the argument that the demand for CSD tend to grow with increasing economic development of the country. In addition, societies concerned with social issues might present stakeholder groups with more salience. However, companies operating in countries whose society and stakeholders places more pressure for CSR will present higher levels of CSD.

Metodologia

We collected data from The Global Competitiveness Report 2014/2015 in order to measure the stage of the development of countries. The report is released by the World Economic Forum (WEF) and gathers information about the microeconomic and macroeconomic foundations of national competitiveness of 144 countries. In order to analyze the CSD, we considered the database of Global Reporting Initiative (GRI) in 2014. The research hypotheses were tested through correspondence analysis.

Análise dos Resultados

The findings confirm the hypotheses that there is an association between countries' stage of development and the disclosure level of these countries. The results showed that countries in the first stages of development present lower level of CSD, countries in middle stages are associated to medium level of CSD and countries in the advanced stage present higher level of CSD. This association is explained considering institutional issues and stakeholder pressures.

Conclusão

This paper contributes to the understanding of the factors that may influence differences in disclosure among countries. Since most studies about CSD focus on characteristics in the firms' level such as size, industry, and managers' motivations, this study contributes by presenting evidences on the macro level.

Referências Bibliográficas

- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4),39-48.
- Orij, R. (2010). Corporate social disclosures in the context of national cultures and stakeholder theory. *Accounting, Auditing & Accountability Journal*, 23(7),868-889.
- Ernstberger, J., & Grüning, M. (2013). How do firm-and country-level governance mechanisms affect firms' disclosure?. *Journal of Accounting and Public Policy*, 32(3),50-67.

CORPORATE SOCIAL DISCLOSURE AT THE MACRO-LEVEL: ASSOCIATION BETWEEN DEVELOPMENT STAGE AND GRI REPORTS

1. INTRODUCTION

Given the increasingly evident impacts of business activities, society now requires companies to adopt more ethical, transparent and socially responsible behavior (Carroll, 2008). In this context, companies' concerns about the responsibility for their activities also increased, leading them to implement actions to incorporate Corporate Social Responsibility (CSR) in policies and practices (Cheng, Ioannou, & Serafeim, 2014) as well as to document such actions in their annual reports (Frías-Aceituno, Rodríguez-Ariza, & García-Sánchez, 2013).

CSR can be conceptualized as voluntary company activities that consider social and environmental concerns in business operations and in interactions with stakeholders (Van Marrewijk, 2003). In this setting, CSR exists only if adopted voluntarily by the company and extends to groups such as customers, employees, suppliers, government and local communities (Jones, 1980). However, despite the notable increase in the attention given to CSR, there are different levels of CSR activities and practices among companies.

Many internal factors may explain the variations in the extent of firms' CSR and, consequently, in their voluntary corporate social disclosure (CSD). Some examples of these factors are firm's size (Xiao, Gao, Heravi, & Cheung, 2005; Naser, Al-Hussaini, Al-Kwari, & Nuseibeh, 2006) and managers' values (Haniffa & Cooke, 2005). Since large companies are more visible to the public and receive more pressure than small firms, they tend to voluntarily disclose more social responsibility information (Naser et al., 2006). Also, when managers have intrinsic motivations and care about a broader set of stakeholders, they tend to act to increase the responsibilities of firms and to promote more CSD (Schaltegger & Burritt, 2010)

However, external factors, such as institutional pressures, market efficiency, financial market development, governance, transparency and accountability, also affect the degree of CSD, especially voluntary disclosure. Since the country where firms operate largely determines these external factors, it is important to examine the country's influence on CSD. Several studies have investigated the factors that explain variations in the extent of voluntary information disclosed by firms, but a limited number of studies have focused on country's characteristics that may influence the level of CSD. Therefore, this research seeks to contribute to the CSD literature by analyzing the phenomenon through the country level and not the firm level, as most studies do.

More specifically, this paper investigates the association between the countries' development stage and the level of CSD of firms operating in these countries. It was done by adopting the five stages of countries development presented in the Global Competitiveness Report (GCR), and the number of GRI reported by 144 countries in 2014.

2. THEORETICAL BACKGROUND

2.1. Corporate Social Responsibility

CSR has become a prominent topic for different actors (Lockett, Moon, & Visser, 2006). For governments, CSR is a means of encouraging better corporate governance and ethical practices. For firms, CSR may represent a source of competitive advantage, once it may differentiate companies with better CSR practices from its competitors (Nalband & Al-

Amri, 2013). As the involvement of governments and firms increases, scholars also have an important opportunity to engage in CSR research (Aguinis & Glavas, 2012).

Despite the growing evidence of the theme, it is not possible to verify a consensus on CSR meaning (McWilliams, Siegel, & Wright, 2006) and neither an operationalization of the core general concepts of CSR (De Bakker, Groenewegen, & Den Hond, 2005). Here, it was considered that CSR is voluntary company activities that consider social and environmental concerns in business operations and in interactions with stakeholders (Van Marrewijk, 2003). CSR accounts for company's direct impacts as well as indirect impacts considering the entire value chain and the entire life cycle of their products. So, CSR includes a wide range of issues such as relationships between customers and suppliers, contributions to community development, environmental protection, employee participation in the results and the company's decisions, diversity, safety and professional development (Michalos, 1997).

In order to describe CSR in a conceptual approach, Carroll (1979; 1991) proposed a pyramid-shaped model that covers four categories for CSR: economic, legal, ethical and philanthropic. The economic dimension is the basis for all the others and reflects the company's need to maintain its financial health, ensuring its survival and growth. The second level refers to the adequacy of the company's actions to current legislation. The third level corresponds to a behavior based in the existing expectations among society. Finally, the fourth level refers to the company's voluntary initiatives concerning solutions to social problems (Carroll, 1979; 1991).

Reconciling these levels can become a challenge for managers, since it is normally assumed that complying with legal and ethical requirements sacrifices economic results (Husted & Salazar, 2006). However, such interface seems to be a competitive potential for organizations. Companies that consistently operate in all levels of responsibility can economically benefit from their responsible actions (Porter & Kramer, 2006; McWilliams & Siegel, 2011).

Following the same logic, the Triple Bottom Line (TBL) has emerged as an interpretation of CSR commonly adopted by companies, once it indicates the dimensions that CSR should cover. The model was created by Elkington (1997), who argued that organizations can pursue sustainable development by assessing the economic, social and environmental aspects of its activities. In this model, each of the three dimensions has equivalent weights.

The TBL is based on the concept of sustainable development, which gained notoriety after publication of the Brundtland Report, conducted by the World Commission on Environment and Development (WCED), of the United Nations (UN) in 1987. The report highlights companies must meet the needs of present generation without compromising the ability of future generations to meet their own needs in order to achieve sustainable development.

The basic idea is that the success and health of the company should not be evaluated only by traditional financial measures, but also for its social responsibility and environmental performance (Norman & MacDonald, 2004). Although each of these TBL dimensions represents a great challenge for managers, organizations are increasingly allocating a considerable amount of time and resources to corporate social responsibility (CSR) strategies (Cheng et al., 2014).

2.2. Corporate Social Disclosure

Corporate Social Disclosure (CSD) is used to address the exposure firms face regarding to the social and environment issues, and should be related more closely with public-pressure variables than profitability measures (Patten, 1991; 2002). CSD covers a broad and diverse set

of issues, such as product information, environmental impact of corporate operations, labor practices and relations with suppliers and customers (Van der Laan Smith, Adhikari, & Tondkar, 2005).

In the past two decades, there was a dramatic increase in firms reporting on corporate social responsibility activities around the world (Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012). This increase is in both senses, in the number of companies adopting social disclosure as well as an increase in the amount of information provided (García-Sánchez, Rodríguez-Ariza, & Frías-Aceituno, 2013).

According to KPMG (2011), 95% of the G250 companies issue reports on its corporate responsibility activities. However, there is not a single globally accepted reporting or a commonly accepted format that reporting should follow (Dilling, 2010). Currently, the Global Initiative Reporting (GRI) is the most widely used standards for CSR reporting and it covers the economic, environmental and social impacts caused by a company in its everyday activities. According to the GRI, its framework is “a reporting system that provides metrics and methods for measuring and reporting sustainability-related impacts and performance” (GRI, 2015).

In the academic perspective, corporate social reporting has been discussed for more than two decades under multiple theories. For instance, social contracting theory understands that firms and society have a social contract where they should perform certain tasks within the principles of justice. Legitimacy theory is also used to the understanding of firms' social disclosure. It extends social contracting theory and explains that companies respond to the demands of divergent interest groups by legitimizing their actions. Accountability theory also extends social contracting theory by considering companies' compliance with the law. Finally, decision usefulness theory understands CSD incorporating users other than investors (Haniffa & Cooke, 2005; Tilt, 1994).

Based on such theories, empirical research looked for evidence that could explain social disclosure patterns. Some of the key research questions addressed include: 1) what companies are reporting; 2) the relationship between social and environmental disclosure practices and economic performance; and 3) companies' motivations to make social and environmental disclosures (Haniffa & Cooke, 2005).

One prominent author of the field was Ullmann (1985) who reviewed studies that analyzed the correlation between CSD and corporate social performance (CSP) as well as CSD and corporate finance performance (CFP). Regarding the relationship between CSD-CSP, the social performance could be underreported due to the accountability traditionally made only for shareholders. On the other hand, the firm could over report social performance in order to create a good impression to other stakeholders. He also found that social disclosure was more linked with other variables such as company size, visibility and external pressure than social performance. Regarding the CSD-CFP relationship, Ullmann (1985) found that in a positive correlation, high CSD could attend to ethical investors reducing the risk associated with reputation, while in a negative correlation, high CSD could indicate high investments not necessary under an economic perspective. Based on this research, Ullmann (1985) proposed a model wherein the power of the stakeholder, the strategic posture, and the economic performance influence the level of social disclosure and performance.

Recent studies have shown that firms with superior CSP are more likely to disclose their responsible activities and practices by issuing public CSR reports (Dhaliwal et al., 2012; Al-Tuwaijri, Christensen, & Hughes, 2004). CSR reporting: (1) increases transparency related to social and environmental impact of companies and their governance structure; and (2) leads to changes in internal control system that may improve the compliance with regulations and the reliability of reporting (Cheng et al., 2014). Also, the best CSR performers will provide a

higher quality of CSD in order to signal their commitment to CSR (Mallin & Michelon, 2011).

Aerts, Cormier, and Magnan (2008) point out some factors found in the literature that contribute to social disclosure. These factors include: firm size, industry, and ownership; legal exposure regarding environment issues; probability of social or environmental accidents; and concerns of environmental lobby groups. Schaltegger and Burritt (2010) also presented some factors that contribute to social disclosure. Focusing on managerial decision about social disclosure, the authors argue that besides managers' intrinsic motivation there are six reasons that can encourage managers to establish an accounting system with information on sustainability issues that show firm actions. These reasons include: 1) greenwashing; 2) mimicry and industry pressure; 3) legislative pressure, stakeholder pressure and ensuring the license to operate, 4) self-regulation, 5) corporate responsibility and ethical reasons, and 6) managing the business case for sustainability.

2.3. The Influence of Country on CSR

The Institutional Theory and culture differences may be used to explain variations in CSR practices. For instance, Fifka and Pobizhan (2014) considered the Institutional Theory to investigate the degree that national, political and socio-economic institutions determine CSR practices as well as the influence of international factors, such as CSR standards, frameworks, and foreign stakeholder expectations. More specifically, they analyzed 50 Russian companies and investigated the CSR areas in which such companies are active, the relevant stakeholders, the form and financial extent of their activities, the application of international standards, and the conduction of the reporting. Results suggested a strong relationship between national political and socio-economic environment and companies' practice on CSR, wherein most attention is paid to the employees and the immediate community. Specific issues, such as the support for veterans, orphans, and ethnic minorities are also considered in the CSR practices of those companies.

Frías-Aceituno et al. (2013) also studied CSR under institutional perspective by analyzing the impact of the legal system on the elaboration and publication of an integrated report that includes a set of information such as financial information, management commentary, governance, remuneration disclosure and sustainability reporting. The authors identified external pressures that affect firms in their decisions to disclose integrated reports. The results indicated that general norms and enforcement mechanisms to regulate stakeholders' rights have a significant impact on business disclosure practices. In the opposite of expected, non-Anglo-Saxon firms produce integrated financial and non-financial information more rapidly than Anglo Saxon. This result was somewhat surprising since the Anglo Saxon have traditionally been considered more transparent regarding to financial issues.

Robertson (2009) analyzed the differences on CSR across three types of economies. In order to represent a range of level of economic development from high to low, the author selected Singapore, Turkey, and Ethiopia. The results illustrate variation across the countries, indicating that institutional factors such as firm ownership structure, corporate governance, openness of the economy to international investment, and the role of civil society contribute to explain variations on CSR. Singapore presented a CSR similar to U.S. and U.K., i.e., countries that present more public companies, effective corporate governance structures, relatively open economy to international investment, and a tradition of citizen voice and action. Similarly, Ethiopia showed a weak orientation to CSR, characterized by firms association with NGOs in order to deliver aid and education (Robertson, 2009).

Dilling (2010) also found some factors that influence CSR and sustainability reporting. According to the study's results, legislation, location, sector, and the profitability and growth situation of the firm are significant characteristics related to CSR. Regarding to legislation, the author argue that, when the legislation does not require sustainability reports, firms might voluntarily adhere to standardized sustainability report in order to show their CSR commitment to internal and external stakeholders. In the opposite, firms in countries with CSR legislation already in place might find no reason to prepare an additional sustainability report due to the additional cost.

2.4. The Influence of Country on CSD

Research in the CSR area has been dedicated to explain variations on CSR practices and disclosure; however, few have focused on the countries influence on the level of firms' CSD. Since the country where firms operate largely determines external factors, such as institutional pressures, market efficiency, financial market development, governance, transparency and accountability, it is expected that it will also affect the level of CSD.

Orij (2010) applied the model of national culture dimensions proposed by Hofstede (1984) to analyzed differences in the level of CSD. Orij (2010) argues that there are differences between stakeholder orientation of countries that can explain the variation on CSD levels. He tested the hypotheses that secrecy and masculinity are negatively related to CSD levels as cultures characterized by secrecy present a non-stakeholder orientation, and greater masculinity is related to a weaker social orientation. The author also tested the influence of long-term orientation on CSD. As result, Orij (2010) found evidence of a negative relationship between secrecy and masculinity orientation and level of CSD. However, long-term orientation did not present a significant relationship with level of CSD.

García-Sánchez et al. (2013) used Hofstede's model as a representative of the values of local stakeholders in order to analyze the influence of national culture on disclosure of integrated reporting, which includes financial, management, governance, remuneration and sustainability reports information. According to study's results, companies located in countries with strong values of collectivism and feminism presented a greater interest in developing integrated reporting. On the other hand, and similar with Orij (2010) findings, long-term orientation and tolerance of uncertainty was not determinant factors to explain differences on disclose of integrated reporting.

Recent study that sought to investigate the effect of country's characteristics in the level of CSD have found that firms are more predisposed to disclose CSR information in countries with: better investor protection, higher levels of democracy, more effective government services, higher quality regulations, and more press freedom (De Villiers & Marques, 2015). Thus, two broad characteristics from developed countries that tend to increase the CSR scope of firms operating in these countries: the economic, political and sociocultural conditions and the existence of some basic normative principles (Reed, 2002).

Economic, political and sociocultural environments influence information requirements, concerns and priorities. Developed countries tend to have greater concern social and environmental issues and, consequently, companies in these countries face greater public and institutions pressures for more CSD than from less developed countries (Xiao et al., 2005).

Previous studies have shown differences on CSD based on Institutional Theory and cultural orientation. However, the stage of countries' development is less explored. In the studies about CSR, some exceptions can be found in Robertson's (2009) work, where the economic development stage was considered an influence on CSR. Here, the development stage of countries it was considered as a variable associated with variations on CSD. Therefore, the stages of development of the country influence the level of CSD because the

institutions and stakeholders pressures are different in each stage of development. These differences can be understood by analyzing the characteristics of the stages.

2.5. Stage of Countries' Development

Based on economic development, countries can be classified into five stages of development. There are three main stages: 1) factor-driven, (2) efficiency-driven and (3) innovation-driven and two transitions stages between them (Porter, 1990; Porter, Sachs, & Schwab, 2002). Figure 1 shows the key pillars for each of the stages. The stage 1 consists of factor driven economies, where countries compete primarily based on unskilled labor and natural resources. This stage is characterized by the pillars 1, 2, 3 and 4. The stage 2 refers to economies driven by efficiency, where countries develop more efficient production processes and increase product quality. In this stage, the main pillars are 5, 6, 7, 8, 9 and 10. Finally, the stage 3 includes countries into the innovation-driven, when they employ sophisticated production processes for the production of new and different goods. This stage is characterized by pillar 11 and 12. The two transition stages relates to transition from stage 1 to stage 2 and transition from stage 2 to stage 3.

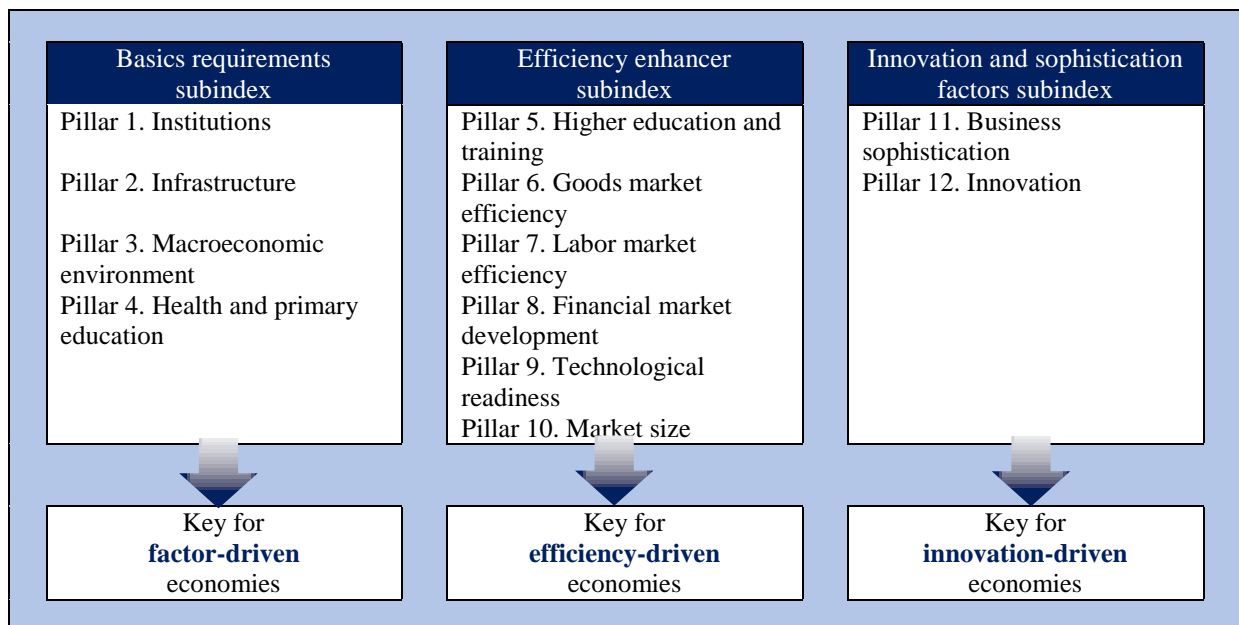


Figure 1. Stages of Development Key Pillars

Source: WEF (2015, p. 9)

Factor-driven stage is characterized by countries wherein production is based on low cost efficiencies or low value-added. The knowledge is not used for exporting or to improve innovation. Normally, countries in this stage included a large amount of small manufacturing and service firms as well as high rates of non-agricultural self-employment (Acs, Desai, & Hessels, 2008). Countries in this stage compete primarily based on unskilled labor and natural resources and companies compete by price bases and sell basic products or commodities. The low productivity of this type of economy reflected in low wages (WEF, 2015).

To move from the first to the second stage, countries must increase their production efficiency and workforce education. Countries in the efficiency-driven stage compete through efficient productive practices on large markets, which companies increase product quality and can use economies of scale (Acs et al., 2008; WEF, 2015). This stage presents decreasing rates of self-employment and entrepreneurial activity since increases in the capital stock

(through private enterprise, direct foreign investment or government ownership) will increase returns to wage work relative if compared to the earlier activities (Acs et al., 2008).

Finally, countries in the innovation-driven stage employ sophisticated production processes for the production of new and different goods. This stage included featured such as higher levels of export-oriented entrepreneurship, improvements in information technologies, reduction of geographic distances provided by mail services, internet and mobile phones and so on (Acs et al., 2008). At innovation-driven stage, the wages are high and companies are able to compete with new and unique products (WEF, 2015).

3. HYPOTHESES

The growing numbers of corporations publishing sustainability reports represent a growing concern of firms regarding to all of its stakeholders, the environment and the society (Dilling, 2010). However, it is possible to observe different levels of disclosure among firms due to internal and external factors. One of the external factor is related to country characteristics, such as cultural, legal and institutional environments (Ernstberger & Grüning, 2013; Dilling, 2010; Orij, 2010; García-Sánchez et al., 2013). The extent that a society strengthens its civilian base - composed by a set of rules, customs and laws - practices related to CSR become legal obligations. In this way, civil foundation of a society and, consequently the demand for CSR tend to grow with increasing economic development of the country (Martin, 2002; Abreu, Cunha, & Barlow, 2015). In addition, societies concerned with social issues might present stakeholder groups with more power, greater legitimacy, and claims viewed with greater urgency (Van der Laan Smith et al., 2005: 132). Since CSD is closely related with public-pressure variables (Patten, 2002), companies operating in countries whose society and stakeholders places more pressure for CSR will present higher levels of CSD. Therefore, we propose the following hypothesis:

Hypothesis 1: The country's stage of development is associated with the level of CSD.

Developed countries have greater awareness on social and environment issues and their institutions generally have greater concern on such issues. Firms embedded in this context tend to adopt a higher level of CSR practices if compared with those in a context where there is lower concern on social and environment issues (Xiao et al., 2005; Abreu et al., 2015). Also, these firms must deal with a broader and more complex range of stakeholders' expectations. Since superior CSR performers are more likely to disclose their responsible activities and practices (Dhaliwal et al., 2012; Al-Tuwaijri et al., 2004) and better CSR performers will provide a higher quality of CSD in order to signal commitment to CSR (Mallin & Michelon, 2011), it is expected that companies operating in countries in the innovation-driven stage will present higher level of disclosure. Therefore, we propose the following hypothesis:

Hypothesis 1a: Countries in more advanced stages of development have a higher level of CSD.

Following the same logic, companies based in countries in middle stages of development, i.e. in the efficiency-driven economies and in transition economies, receive less pressure from stakeholders than companies operating in countries in more advanced stages of development. Therefore, we propose the following hypothesis:

Hypothesis 1b: Countries in middle stages of development present medium level of

CSD.

Finally, companies operating in countries in the less advanced stages of development, i.e. in factor-driven economies, face a weaker institutional environment and receive less stakeholder pressures. Since weaker corporate governance arrangements lead to lower levels of voluntary CSD (Ernstberger & Grüning, 2013), companies operating in such environments tend to disclose less. Therefore, we propose the following hypothesis:

Hypothesis 1c: Countries in less advanced stages of development have a lower level of CSD.

4. METHODS

4.1. Data Collection

We collected data from The Global Competitiveness Report 2014/2015 in order to measure the stage of the development of countries. The report is released by the World Economic Forum (WEF) and gathers information about the microeconomic and macroeconomic foundations of national competitiveness of 144 countries.

In order to classify the countries in the development stages, we used the GCR categorization. The GCR categorizes countries into 5 stages of development according to two indicators: 1) the level of GDP per capita at market exchange rates and 2) share of exports of mineral goods in total exports (goods and services). The first indicator is used as a proxy for wages and the second indicator is based on income and is used to adjust for countries that would have moved beyond stage 1, but their economy is based mainly on the extraction of resources (WEF, 2015).

	STAGE OF DEVELOPMENT				
	Stage 1: Factor-driven	Transition from stage 1 to stage 2	Stage 2: Efficiency-driven	Transition from stage 2 to stage 3	Stage 3: Innovation-driven
GDP per capita (US\$) thresholds*	<2,000	2,000–2,999	3,000–8,999	9,000–17,000	>17,000
Number of countries	37	16	30	24	37
	Bangladesh	Algeria	Albania	Argentina	Australia
	Burkina Faso	Angola	Armenia	Bahrain	Austria
	Burundi	Azerbaijan	Bulgaria	Barbados	Belgium
	Cambodia	Bhutan	Cape Verde	Brazil	Canada
	Cameroon	Bolivia	China	Chile	Cyprus
	Chad	Botswana	Colombia	Costa_Rica	Czech_Repub
	Côte d'Ivoire	Gabon	Dominican_Rep	Croatia	Denmark
	Ethiopia	Honduras	Egypt	Hungary	Estonia
	Gambia, The	Iran	El_Salvador	Kazakhstan	Finland
	Ghana	Kuwait	Georgia	Latvia	France
	Guinea	Libya	Guatemala	Lebanon	Germany
	Haiti	Moldova	Guyana	Lithuania	Greece
	India	Mongolia	Indonesia	Malaysia	
	Kenya	Philippines	Jamaica	Mauritius	
	Kyrgyz Rep	Saudi_Arabia	Jordan	Mexico	
	Lao PDR	Venezuela	Macedonia,_FYR	Oman	
	Lesotho		Montenegro	Panama	

Madagascar	Morocco	Poland	Hong_Kong_SAR
Malawi	Namibia	Russian_Feder	Iceland
Mali	Paraguay	Seychelles	Ireland
Mauritania	Peru	Suriname	Israel
Mozambique	Romania	Turkey	Italy
Myanmar	Serbia	United_Arab_Emirates	Japan
Nepal	South_Africa	Uruguay	Korea, Rep.
Nicaragua	Sri_Lanka		Luxembourg
Nigeria	Swaziland		Malta
Pakistan	Thailand		Netherlands
Rwanda	Timor-Leste		New_Zealand
Senegal	Tunisia		Norway
Sierra Leone	Ukraine		Portugal
Tajikistan			Puerto_Rico
Tanzania			Qatar
Uganda			Singapore
Vietnam			Slovak_Republic
Yemen			Slovenia
Zambia			Spain
Zimbabwe			Sweden
			Switzerland
			Taiwan_China
			Trinidad and Tobago
			United_Kingdom
			United_States

Figure 2. Countries Classified in the Development Stages

Source: WEF (2015, pp. 10, 11)

In order to analyze the CSD, we considered the disclosure of Global Reporting Initiative (GRI) in 2014. The GRI is the most widely spread model of social, environmental and economic reporting and was created in 1997 by the NGO of the same name. The GRI was founded by the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) in Boston, USA.

We measured the CSD by the number of GRI reports per country. However, since the number of firms in the country impacts the number of reports, it was necessary to minimize such influence. So, we weighted the number of reports by the country market size.

In 2014, 91 countries reported GRI and, among these countries, seven were not in the Global Competitiveness Report 2014/2015. Due to that, these seven countries were excluded of the sample. The countries excluded are Afghanistan, Andorra, Bermuda, Ecuador, Greenland, Macao Special Administrative Region (China) and Papua New Guinea.

4.2. Data Analyses

For data analysis, we employed the correspondence analysis, which is the cross-tabulation of two categorical variables (Hair, Black, Babin, Anderson, & Tatham, 2006). In this study, the CSD level was cross tabulated on countries development stages by indicating the number of countries that fall into each category of the development stages.

The number of GRI reports per country, weighted by the country market size, generates the GRI score. The CSD level was defined by the criteria of quartiles of the GRI score, with the first group of countries with score of zero (60 countries); the second group of countries with score greater than zero and less than equal to 0.68 (12 countries); the third group with scores higher than 0.68 and lesser or equal to 6.9 (36 countries); and the fourth group with scores greater than 6.9 and less equal to 78.1 (36 countries).

Regarding to stages of development we adopted the stages proposed by The Global Competitiveness Report: Stage 1: Factor-driven (S1); Transition from stage 1 to stage 2 (T1-2); Stage 2: Efficiency-driven (S2); Transition from stage 2 to stage 3 (T 2-3); Stage 3: Innovation-driven (S3).

5. RESULTS

5.1. Descriptive Statistics

As mentioned earlier in the paper, the number of GRI reports published in 2014 by country was weighted by the market size, generating a metric variable - GRI score. Descriptive statistics of the variables are presented in Table 1.

Table 1:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
GRI	144	0.00	542.00	34.9931	74.55326	5558.189
Market Size	144	1.30	6.94	3.7850	1.15825	1.342
GRI Score	144	0.00	78.10	6.6622	12.92111	166.955

Table 2 shows the descriptive statistics of the GRI score variable segmented by the stages of development of countries.

Table 2:

Descriptive Statistics by Stages of Development

	Stage	N	Mean	Std. Dev.	Minimum	Maximum
GRIScore	S1	37	0.4784	2.00925	0.00	12.14
	T1-2	16	0.6712	1.04798	0.00	3.85
	S2	30	5.9303	14.60817	0.00	66.60
	T2-3	24	5.8617	9.15575	0.00	42.76
	S3	37	16.5492	16.63225	0.00	78.10
	Total	144	6.6622	12.92111	0.00	78.10

The highest average CSD is for the countries that are at the highest level of development, while the lowest average CSD is for less developed countries. The graphical representation of the average is shown in Figure 3.

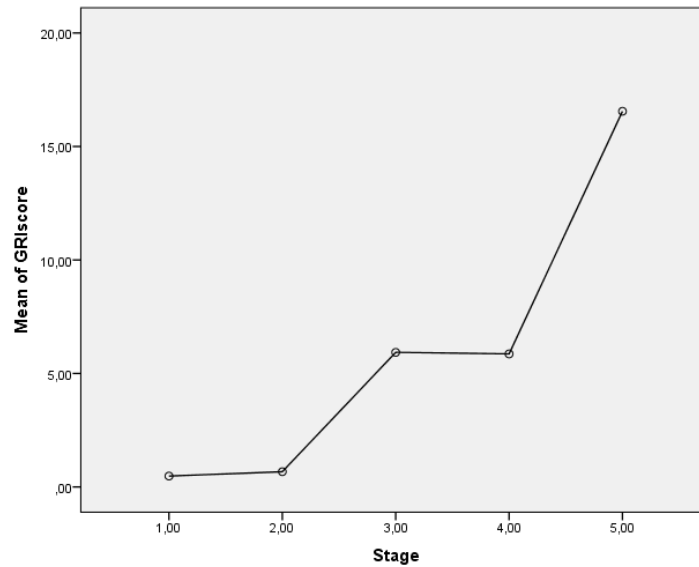


Figure 3. Mean plot

Also in a descriptive analysis, Table 3 shows the 20 countries with the highest number of GRI reports published in 2014 and their respective stages of development.

**Table 3:
Countries with more GRI reports**

Country	GRI	Stage	Country	GRI	Stage
United States	542	S3	Australia	167	S3
South Africa	327	S2	Switzerland	137	S3
Japan	275	S3	France	135	S3
Brazil	242	T 2-3	Netherlands	132	S3
China	222	S2	Sweden	130	S3
Taiwan, China	212	S3	Finland	121	S3
Colombia	184	S2	Canada	119	S3
United Kingdom	179	S3	Korea, Rep.	118	S3
Spain	175	S3	Italy	96	S3
Germany	170	S3	Argentina	82	T2-3

Most of the top 20 reporting countries are at higher stages of development, however the highlights are the five countries in developing economies, specifically, South Africa, Brazil, China, Colombia and Argentina, which also appear in the list. Among the five countries with the highest number of GRI reports that are not in developed economies, three are Latin American countries, which may indicate a tendency in the region to a higher level of CSD. Such evidence is in accordance to Cuevas-Mejía, Escobar-Váquiro and Maldonado-García (2013), who analyzed the disclosure of CSR in Latin American countries and demonstrated that the disclosure in these countries occurs in response to institutionalizing mechanisms, as isomorphism.

5.2. Correspondence Analysis

The GRI score was categorized into four groups, using as targeting criteria quartiles, generating the CSD Level variable. Table 4 displays the cross-tabulated data. Data show that

number of GRI disclosure varies substantially across CSD level and stages of development.

Table 4:
Crosstabulation

CSD Level	Stage of Development					Total
	S1	T1-2	S2	T2-3	S3	
1	29	8	14	5	4	60
2	2	4	3	2	1	12
3	5	4	7	10	10	36
4	1	0	6	7	22	36
Total	37	16	30	24	37	144

Table 4 shows that most countries with CSD Level 1 are in the first stage of development and most countries with CSD Level 4 are at the third stage of development.

In correspondence analysis we found an association between the stage of development and the CSD level with a chi2 65.7 significant at 0.000. The total inertia of 0.4493 indicates that the row-column correlation is significant.

The association between variables is shown in a two-dimensional map and presented in the Figure 4.

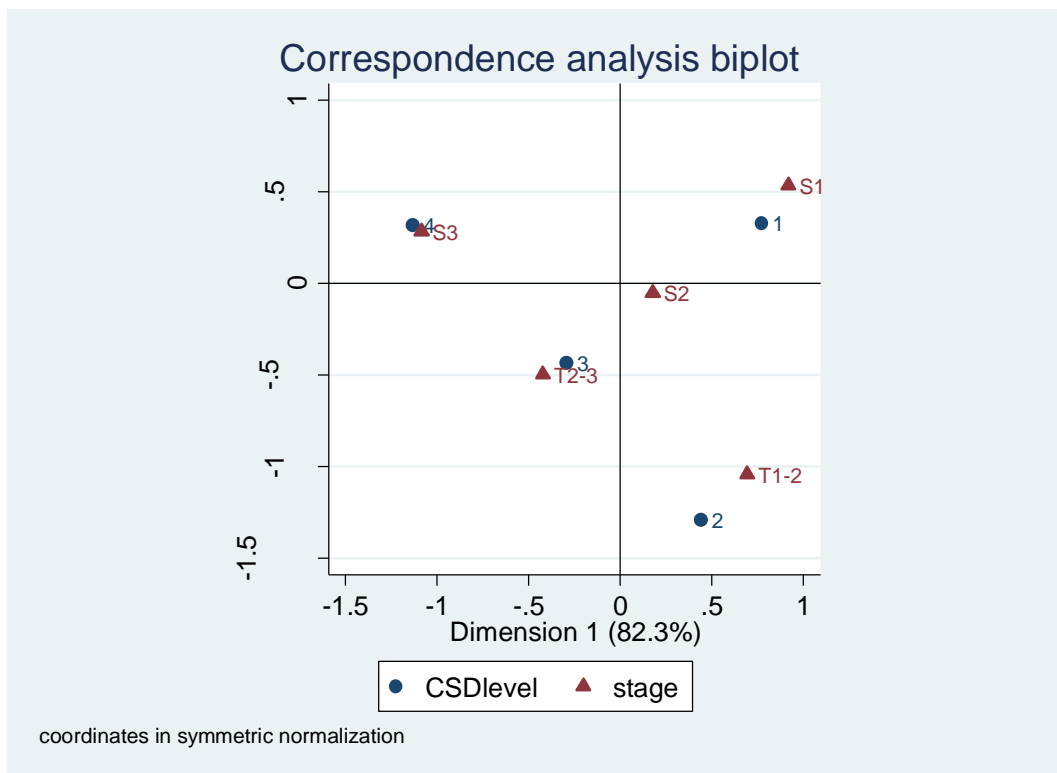


Figure 4. Correspondence Analysis Biplot

The map shows an association between the Stage of Development 5 and the CSD Level 4; between the Stage Transition from stage 2 to stage 3 and the CSD Level 3; between the Stage Transition from stage 1 to stage 2 and the CSD Level 2; and between the Stage of Development 1 and the CSD Level 1.

5.3. Discussion

The findings support the hypotheses proposed, in an exploratory way, showing an association between the country's development stage and the CSD level. The first hypothesis was that *the country's stage of development is associated with the level of CSD*. We confirmed this hypothesis by the chi-square test that indicated a significant association between the variables stage of development and CSD level. The results show that the country's development stage may be a potential determinant of the level of disclosure of companies.

Our findings contribute to the literature investigating this association in a larger sample of countries, since previous similar studies (Robertson, 2009) investigated an association between the stage of development and CSR practices restricted to three countries. Robertson's (2009) study found that factors such as firm ownership structure, corporate governance, openness of the economy to international investment, and the role of civil society contribute to explain variations on CSR. These factors could also influence the CSD, since the literature advocates a relationship between the CSR level and the CSD level (Dhaliwal et al., 2012; Al-Tuwajri et al., 2004).

Our second hypothesis proposed was that *countries in more advanced stages of development have a higher level of CSD*. We supported the hypothesis by finding an association between the higher stage of development and the higher CSD level, displayed in the map. The association can be understood by assuming Xiao et al. (2005) argument that developed countries have high awareness on social and environment issues. The high concern about these issues can explain the high level of CSD. Also, developed economies offer an organized institutional environment and stronger financial markets, which can lead to more disclosure requirements and greater propensity to voluntary disclosure, such as GRI report. Companies operating in countries in the innovation-driven stage may have to deal with higher expectations of stakeholders, as well as global organizations can influence companies embedded in these economies to have high levels of CSR and CSD.

Our third hypothesis proposed was that *countries in middle stages of development present medium level of CSD*. We supported the hypothesis by finding an association between the Stage Transition from stage 2 to stage 3 and the CSD Level 3 and between the Stage Transition from stage 1 to stage 2 and the CSD Level 2, as displayed in the map. Companies operating in countries in middle stages of development, i.e. in the efficiency-driven economies and in transition economies, receive less pressure from stakeholders than companies operating in countries in more advanced stages of development. Similarly, they receive more pressure than companies in a factor-driven stage.

Our fourth hypothesis proposed was that *countries in less advanced stages of development have a lower level of CSD*. We support the hypothesis finding an association between the lower stage of development and the lower CSD level, as displayed in the map.

In the sample, among the sixty countries that do not have reports on the GRI database, thirty are from countries in factor-driven economies. These results may reveal that, in these economies, awareness to disclosure needs and stakeholder empowerment to demand high levels of CSD are still weak. Companies in lower development countries may also have fewer international investors who require greater accountability of companies; therefore, companies in these economies have less disclosure levels.

6. CONCLUSION

Our paper contributes to the CSD literature by analyzing the association between the development stage of countries and the social disclosure of firms operating in these countries. Such analysis is important for understanding the factors that influence differences in

disclosure among firms and countries. Since most studies focus on characteristics in the firms' level such as size, industry, and managers' motivations, this study contributes by presenting evidences of characteristics on the macro level.

The findings confirm the hypotheses that there is a association between countries' stage of development and the disclosure level of these countries. The results showed that countries in the first stages of development present a lower level of CSD, countries in middle stages are associated to *medium* level of CSD and countries in the advanced stage present higher level of CSD. This association was explained considering institutional issues and stakeholder pressures. The extent to which a society strengthens its institutions, practices related to CSR and CSD become more evident.

This paper has some limitations. First, CSD was measured by the number of GRI reporting for each country. However, firms can also disclosure their CSR actions through other types of reporting, such as sustainability reports and other integrated reports. These other types of disclosure could also be considered. Second, we weighted the number of reports using the country market size; however the disclosure level could be weighted directly by the number of firms in each country.

Future research can explore the relation between more specific countries characteristics, such as innovation, level of education and stock market, in order to understand which characteristics are more closely associated with disclosure and which are less.

REFERENCES

- Abreu, M. C. S., Cunha, L. T. D., and Barlow, C. Y. (2015). Institutional dynamics and organizations affecting the adoption of sustainable development in the United Kingdom and Brazil. *Business Ethics: A European Review*, 24(1), 73-90.
- Acs, Z. J., Desai, S., & Hessels, J. (2008). Entrepreneurship, economic development and institutions. *Small Business Economics*, 31(3), 219-234.
- Aerts, W., Cormier, D., & Magnan, M. (2008). Corporate environmental disclosure, financial markets and the media: An international perspective. *Ecological Economics*, 64(3), 643-659.
- Aguinis, H., & Glavas, A. (2012). What we know and don't know about corporate social responsibility a review and research agenda. *Journal of Management*, 38(4), 932-968.
- Al-Tuwaijri, S. A., Christensen, T. E., & Hughes, K. E. (2004). The relations among environmental disclosure, environmental performance, and economic performance: a simultaneous equations approach. *Accounting, Organizations and Society*, 29(5), 447-471.
- Carroll, A. B. (1979). A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4), 497-505.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48.
- Carroll, A. B. (2008). A history of corporate social responsibility: concepts and practices. (2008). In: Crane, A., McWilliams, A., Matten, D., Moon, J., & Siegel, D. S. (Eds.). *The Oxford handbook of corporate social responsibility*. Oxford University Press.
- Cheng, B., Ioannou, I., & Serafeim, G. (2014). Corporate social responsibility and access to finance. *Strategic Management Journal*, 35(1), 1-23.
- Cuevas-Mejía, J. J., Maldonado-García, S., & Escobar-Vázquez, N. (2013). Aproximación a los factores que influyen en la divulgación de información sobre RSC en empresas de América Latina. *Cuadernos de Contabilidad*, 14(34), 91-131.
- De Bakker, F. G., Groenewegen, P., & Den Hond, F. (2005). A bibliometric analysis of 30 years of research and theory on corporate social responsibility and corporate social performance. *Business & Society*, 44(3), 283-317.

- De Villiers, C. J., & Marques, A. C. (2015). Corporate Social Responsibility: Country-Level predispositions and the consequences of choosing a level of disclosure. *Accounting and Business Research*. (Online Preview). Retrieved from <http://dx.doi.org/10.1080/00014788.2015.1039476>
- Dhaliwal, D. S., Radhakrishnan, S., Tsang, A., & Yang, Y. G. (2012). Nonfinancial disclosure and analyst forecast accuracy: International evidence on corporate social responsibility disclosure. *The Accounting Review*, 87(3), 723-759.
- Dilling, P. F. (2010). Sustainability reporting in a global context: what are the characteristics of corporations that provide high quality sustainability reports—an empirical analysis. *International Business & Economics Research Journal*, 9(1), 19-30.
- Elkington, J. (1997). *Cannibals With Forks: the triple bottom line of 21st century business*. Oxford: Capstone Publishing.
- Ernstberger, J., & Grüning, M. (2013). How do firm-and country-level governance mechanisms affect firms' disclosure?. *Journal of Accounting and Public Policy*, 32(3), 50-67.
- Fifka, M. S., & Pobizhan, M. (2014). An institutional approach to corporate social responsibility in Russia. *Journal of Cleaner Production*, 82, 192-201.
- Frías-Aceituno, J. V., Rodríguez-Ariza, L., & García-Sánchez, I. M. (2013). Is integrated reporting determined by a country's legal system? An exploratory study. *Journal of Cleaner Production*, 44, 45-55.
- García-Sánchez, I. M., Rodríguez-Ariza, L., & Frías-Aceituno, J. V. (2013). The cultural system and integrated reporting. *International Business Review*, 22(5), 828-838.
- GRI (2015). *Global Reporting Initiative*. Retrieved from <https://www.globalreporting.org/Pages/default.aspx>
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (Vol. 6). Upper Saddle River, NJ: Pearson Prentice Hall.
- Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy*, 24(5), 391-430.
- Hofstede, G. (1984). National cultures revisited. *Asia Pacific Journal of Management*, 2(1), 22-28.
- Husted, B. W. & Salazar, J. J. (2006). Taking Friedman seriously: maximizing profits and social performance. *Journal of Management Studies*, 43(1), 75-91.
- Jones, M. T. (1980). Corporate social responsibility revisited, redefined. *California Management Review*, 22(3), 59-67.
- KPMG (2011). *International survey of corporate social responsibility reporting*. Retrieved from <http://www.kpmg.com/PT/pt/IssuesAndInsights/Documents/corporate-responsibility2011.pdf>
- Lockett, A., Moon, J., & Visser, W. (2006). Corporate Social Responsibility in Management Research: Focus, Nature, Salience and Sources of Influence. *Journal of Management Studies*, 43(1), 115-136.
- Mallin, C., & Michelon, G. (2011). Board reputation attributes and corporate social performance: An empirical investigation of the US Best Corporate Citizens. *Accounting and Business Research*, 41(2), 119-144.
- Martin, R. L. (2002). The virtue Matrix: calculating the return on Corporate Responsibility. *Harvard Business Review*, 80(3), 68-75.
- McWilliams A, & Siegel D. (2001). Corporate social responsibility: a theory of the firm perspective. *The Academy of Management Review*, 26(1), 117-127.
- McWilliams, A., Siegel, D. S., & Wright, P. M. (2006). Corporate social responsibility: Strategic implications. *Journal of Management Studies*, 43(1), 1-18.

- Michalos, A. (1997). Issues for business ethics in the nineties and beyond. *Journal of Business Ethics*, 16(3), 219-231.
- Nalband, N. A., & Al-Amri, M. S. (2013). Corporate social responsibility: Perception, practices and performance of listed companies of Kingdom of Saudi Arabia. *Competitiveness Review: An International Business Journal*, 23(3), 284-295.
- Naser, K., Al-Hussaini, A., Al-Kwari, D., & Nuseibeh, R. (2006). Determinants of corporate social disclosure in developing countries: The case of Qatar. *Advances in International Accounting*, 19, 1-23.
- Norman, W., & MacDonald, C. (2004). Getting to the Bottom of “Triple Bottom Line”. *Business Ethics Quarterly*, 14(2), 243-262.
- Orij, R. (2010). Corporate social disclosures in the context of national cultures and stakeholder theory. *Accounting, Auditing & Accountability Journal*, 23(7), 868-889.
- Patten, D. M. (1991). Exposure, legitimacy, and social disclosure. *Journal of Accounting and Public Policy*, 10(4), 297-308.
- Patten, D. M. (2002). The relation between environmental performance and environmental disclosure: A research note. *Accounting, Organizations and Society*, 27(8), 763-773.
- Porter, M. E. (1990). The competitive advantage of nations. *Harvard Business Review*, 68(2), 73-93.
- Porter, M. E., Sachs, J., & Schwab, K. (2002). *Global Competitiveness Report, 2001-2002* (pp. 16-25). New York, NY: Oxford University Press.
- Porter, M. E. & Kramer, M. R. (2006). Strategy and society: the link between competitive advantage and corporate social responsibility. *Harvard Business Review*, 84(12), 78-92.
- Reed, D. (2002). Employing normative stakeholder theory in developing countries a critical theory perspective. *Business & Society*, 41(2), 166-207.
- Robertson, D. C. (2009). Corporate social responsibility and different stages of economic development: Singapore, Turkey, and Ethiopia. *Journal of Business Ethics*, 88(4), 617-633.
- Schaltegger, S., & Burritt, R. L. (2010). Sustainability accounting for companies: Catchphrase or decision support for business leaders?. *Journal of World Business*, 45(4), 375-384.
- Tilt, C.A. (1994). The influence of external pressure groups on corporate social disclosure: Some empirical evidence. *Accounting, Auditing and Accountability Journal*, 7(4), 56-71.
- Ullmann, A. A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance of US firms. *Academy of Management Review*, 10(3), 540-557.
- Van der Laan Smith, J., Adhikari, A., & Tondkar, R. H. (2005). Exploring differences in social disclosures internationally: A stakeholder perspective. *Journal of Accounting and Public Policy*, 24(2), 123-151.
- Van Marrewijk, M. (2003). Concepts and definitions of CSR and corporate sustainability: between agency and communion. *Journal of Business Ethics*, 44(2), 95-105.
- WEF (2015). *The Global Competitiveness Report 2014-2015*. World Economic Forum. Geneva. Retrieved from http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf
- Xiao, J. Z., Gao, S. S., Heravi, S., & Cheung, Y. C. (2005). The impact of social and economic development on corporate social and environmental disclosure in Hong Kong and the UK. *Advances in International Accounting*, 18, 219-243.