CSR REPORTING BY NEW ZEALAND FINANCIAL SERVICES INSTITUTIONS: ANALYSING UNDERSTANDINGS AND MOTIVATIONS

George Thien
Lecturer
Centre for Business and Integrated Studies
Auckland University of Technology
Private Bag 92006
Auckland 1142
NEW ZEALAND
george.thien@aut.ac.nz
phone: +64 9 921 9999 extn 5895
fax: +64 921 9853

Helen Tregidga
Senior Lecturer in Accounting
Faculty of Business
Auckland University of Technology
helen.tregidga@aut.ac.nz

Kate Kearins
Professor of Management
Faculty of Business
Auckland University of Technology
kate.kearins@aut.ac.nz

CSR REPORTING BY NEW ZEALAND FINANCIAL SERVICES INSTITUTIONS: ANALYSING UNDERSTANDINGS AND MOTIVATIONS

ABSTRACT

Purpose: This paper investigates New Zealand financial services institutions' (NZFSIs) engagement with corporate social responsibility (CSR) reporting. The focus is on understandings of CSR, and also on perceived motivations for reporting on CSR activities and impacts.
Design/methodology/approach: A thematic analysis of ten interview transcripts was undertaken; interviewees comprised eight personnel from three reporting institutions and two expert stakeholders.
Findings: The paper uncovers a relatively narrow and corporate-centric view of CSR and CSR reporting, even among these perceived leaders in the local CSR reporting field. The business case appears to be a primary motivation for reporting on CSR issues along with industry influences and motivations related to increasing image and reputation.
Research limitations/implications: The paper suggests that the understandings of, and motivations for reporting uncovered in this study do not bode well for substantive systemic change based on financial institutions' latent potential for influence in regard to the indirect impacts of their core business. It further suggests that without the presence of any obvious legitimacy gap currently, both changed societal norms and stakeholder pressure would seem requisite to CSR moving beyond the corporate into the realm of the social.
Practical implications: Based on the findings, this paper serves to challenge thinking about CSR and CSR reporting held by reporters. It encourages a more substantive consideration and linkage of the indirect impacts of the financial service sectors core products and services, with the concept of CSR and practice of CSR reporting.
Originality/value: The paper provides information on and insight into the understandings of CSR, and motivations for such reporting expressed by key personnel involved in CSR reporting. This information complements what can be observed in the actual company reports.

Keywords: CSR, reporting, financial institutions, New Zealand

Paper type: Research paper

INTRODUCTION

Financial services institutions are a major feature of modern economies and, unsurprisingly, the interest in corporate social responsibility (CSR) is no longer passing them by. Financial service institutions' names may not be visible on greenfield developments or industrial smokestacks, but they stand behind business, in financing and underwriting both their beneficial and disputed activities. Recent events, including the 2008/09 financial crisis, credit crunch and global recession, have reminded us that what banks, lending agencies and insurance companies do impacts us all.

Financial services institutions are often large and powerful with the impacts of their investment and underwriting stretching far and wide. In a March 2009 report, international NGO, Global Witness, examined corporate activities' contribution to resource exploitation, corruption and human rights. It reported that many international banks that claim to be committed to CSR had facilitated corruption by dealing with dubious customers (Banktrack, 2009). That financial services institutions should be selective in their choice of customers is beginning to be demanded by some stakeholders as evidenced by the yet-to-be concluded case of the Royal Bank of Scotland being sued for lending money to Vedanta Resources. Vedanta Resources is a mining company whose activities are considered to have a very negative impact on the environment and climate change (Global Witness, 2009). Yet, the extent to which a demand for financial services institutions to consider the social and environmental impacts of client activities exists, whether this demand occurs across multiple stakeholder groups, and whether this demand is perceived by the financial institutions themselves, remains unclear.

Within the New Zealand context, major financial services institutions and their Australian counterparts appear not to have been affected as much by risky lending as bigger overseas players. However, they seem to have been a little slower, too, in picking up the mantle of CSR and CSR reporting.[1] This paper reports on interviews with key personnel from 'leading' New Zealand registered banks and insurance companies involved in CSR reporting. The paper aims to expose their thinking about CSR and motivations for CSR reporting within this sector and context. How those personnel involved in reporting on CSR within the New Zealand financial services institutions (NZFSI) understand CSR in relation to reporting and their expressed understandings as to why their institutions report are examined. In addition, the paper seeks to assess whether NZFSI efforts appear to be a force for change, or reproduce business-as-usual under the guise of CSR.[2]

Developing on the interest generated by O'Dwyer (2004) in studies utilising interviews with those involved in social and environmental reporting, this study uses interviews to gain understanding about the motivations, rationale and choices made by personnel involved in

[1] Indeed, the Australian Bankers' Association opposed potential law changes in 2005 to force directors to take CSR into account. It claimed mandating CSR would result in a 'tick the box approach' and be counterproductive. It privileged a shareholder focus, recommending against needing to take stakeholder interests into account on the basis it would confuse the role of directors and result in less innovative approaches to CSR (Gettler, 2005). The majority of New Zealand banks are Australian-owned.

[2] While recognising differences in the general theoretical conceptions between the terms, CSR, sustainability and sustainable development, this paper notes their frequent conflation in practice (see for example, Franklin in *The Economist*, 2008 and *The Economist*, 2009). The authors have attempted to be careful in their own use of these terms; however, the distinctions are not always clear when reflecting the thinking and speaking of the respondents. While a discussion of the general understandings and differences between the concepts is not covered here, useful discussions can be found in Milne, Kearins and Walton (2006) in relation to sustainability and sustainable development, and in Banerjee (2007) in relation to CSR, as well.

producing and commenting on CSR reports within the context of NZFSIs. In doing so, this paper contributes to both previous work analysing CSR in the financial service sector (for example see, Lachowicz, 2000; Jeucken, 2001; O'Sullivan and O'Dwyer, 2008), a currently under-investigated area of research (Coulson, 2007; O'Sullivan and O'Dwyer, 2008), and those concerned with investigating motivations and rationales for reporting (O'Donovan, 2002; O'Dwyer, 2002; Deegan, 2007). A further contribution of this study is its empirical reinforcement of emerging critique relating to CSR as limited in what it currently achieves, and perhaps pretentious in terms of its rhetoric about taking responsibility for the social (Banerjee, 2007; see also Devinney, 2009). Linking understandings of CSR to espoused motivations for reporting, the study shows the importance of those fundamental understandings in promoting/not promoting change.

The paper is structured as follows. First extant literature relating to CSR within the financial service sector is discussed followed by an overview of the literature on CSR reporting motivations. Third, the method for this study is detailed. Fourth, findings from the research are presented and analysed. Fifth, a discussion of the findings is undertaken and several questions which emerge from the study are raised. Conclusions and an identification of areas for further research which builds on this study complete the paper.

CSR WITHIN THE FINANCIAL SERVICES SECTOR MEANS MORE THAN BUSINESS-AS-USUAL: OR DOES IT?

CSR refers to a relationship between business and society – and is generally understood to go beyond business-as-usual and solely profit-centred business activities. Bowen (1953) defines CSR as a business's social obligation "to pursue those polices, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (p. 6).

Debates surrounding the concept of CSR exist because of both its vagueness and its multi-faceted nature. There are issues concerning what activities CSR should encompass, how far the boundaries of business responsibility extend, and which stakeholder groups should benefit from CSR activities. Although progress has been made in translating CSR rhetoric into practice, there are still problems. According to Matten and Moon (2008), the main problem is that CSR is a value-based, all encompassing concept and "a dynamic phenomenon" (p. 405). Thus it involves choice in terms of how it is perceived and operationalised, and is subject to change in how it is perceived and operationalised. The complexities of the CSR concept recognised more than 15 years ago are, therefore, still present.

Taking a firm level perspective, and accepting that it may be difficult to determine societal values and translate them into CSR objectives and performance, a number of authors have offered guidance. For example Carroll (1979) distinguishes four types of CSR obligations: economic obligations (be profitable); legal obligations (be law abiding); ethical obligations (be sensitive to values and norms); and, philanthropic obligations (be charitable to society). Henriques and Sadorsky (1999) also note four obligations. They identify organisational responsibility to employees, customers, shareholders and suppliers; regulatory responsibility which covers obligation to comply with the law; community responsibility which includes contribution to the betterment of society; and responsibility to the media which encourages transparency about business activities.

The first responsibility in each of these typologies (i.e. economic and organisational obligations) relates to 'traditional' business goals such as profitability. This responsibility focuses on shareholders and other parties which can directly and immediately impact the bottom line – employees, customers and suppliers. Businesses' philanthropic activities, also included in the typologies above (including explicitly by Carroll) are a common, and major CSR activity (Devinney, 2009). There are, however, arguments that these philanthropic activities do not go far enough. Waddock (2008, p. 89) for example proposes that businesses' understanding of CSR should go "beyond efforts to 'do good' for society and recognize the impact of the business strategies and practices on stakeholders, societies and sustainability".

Literature appearing in the mid 1990s debated who an organisation should have responsibility to – society as a whole or only those who are directly or indirectly affected by the organisation's activities (Clarkson, 1995; Donaldson and Preston, 1995; Swanson, 1995; Wood and Jones, 1995). In the banking context, Jeucken (2001) refers to 'internal issues' and 'external issues' to explain the direct and indirect impact of a banks products/services and activities. Internal issues are related to the environmental and social impact of the bank/office's operational activities such as energy and stationery use, and are seen as having *direct* impact. External issues refer to the environmental and social impact of banking products and services, and banks therefore are seen as having *indirect* impact.

In acknowledgement of the substantial indirect social and environmental impacts and potential for influence of the financial service sector, the financial services supplement of the Global Reporting Initiative (GRI) sustainability reporting guidelines states that:

> The indirect environmental impacts associated with financial products and services are an area of intense interest to many stakeholders. These impacts can be significantly greater in scale than the direct impacts of financial institutions' operations, such as the amount of energy consumed or volume of waste generated (GRI, 2007, p. 3).

Although the GRI highlights the importance of indirect impacts and provides some reporting guidelines for the financial services sector, adherence to its recommendations is voluntary on the part of financial institutions. This is notably so in New Zealand, the context for this study, where CSR reporting is not currently mandatory for any business.

Financial services institutions would seem unlikely to push for defined regulation themselves. And to the extent any consensual standard among competitors, it would be expected that it might develop around the activities institutions were best able to control. Problems with monitoring the activities of clients would seem inevitable but there are some small signs of change across the banking sector internationally. In 1993, in a report by the British Bankers' Association, it was argued that it is not within the role of bankers to police the activities of their clients, nor should that liability extend to the activities of their borrowers (BBA, 1993). However, more recently, the Cooperative Bank has upheld the practice of screening clients and reporting on the rejection of loans for activities that are perceived to damage the environment and/or society (Corporation of London, 2002). Doing so is part of an ethical policy that was derived from the Cooperative Banks' consultation with stakeholders. It is contended that, as part of their CSR responsibilities, banks should be transparent about their credit policy, especially those that relate to the social and environmental impact (Stichele, 2004). The Equator Principles (see Equator Principles, 2009), a set of standards developed by a group of private banks for determining, assessing and managing social and environmental risk in project funding, have gone some way in setting industry standards, yet are not without criticisms as to their integrity.

Both Coulson (2007) and O'Sullivan and O'Dwyer (2008) note that financial institutions have increased their effort in designing CSR policies and criteria as conditions for accepting clients as a way of influencing their indirect impacts. However, the lack of transparency in implementation and impact of such effort is likely to leave some stakeholders unsatisfied. Furthermore, the effort appears generally directed at a few big clients with one-off projects rather than the masses of clients who could in sum have a larger overall social and environmental impact. Several questions remain such as, are actions to reduce indirect impacts top of mind for CSR reporters, and are such actions reported upon by financial service institutions as part of their CSR activities?

CSR REPORTING: WHY DO IT?

When identifying motivations to report on social and environmental activities and impacts, the literature notes three main drivers: the business-case or strategy-driven motivations; moral, ethical or value-driven motivations; and external pressure (Unerman, Bebbington and O'Dwyer, 2007; Zadek and Raynard, 2004). Each of these is discussed briefly in turn here.

Business case-related motivations

CSR reporting motivated by the business-case rationale is when CSR reporters "view social and environmental accounting primarily from the standpoint of what's in it for companies and their shareholders" (Brown and Fraser, 2004, p. 18). Spence (2007) purports that there are many motivations for businesses to undertake CSR reporting but the business-case or self interest rationale seems to "shape and constrain the ideologies that underpin and are communicated through the social and environmental reports" (p. 855). O'Dwyer (2003) also notes that there is a tendency for managers to interpret CSR in a biased or narrow manner that is consistent with the goals of shareholders whose motivation is to maximise wealth. Further, Unerman et al., (2007) identify competitive advantage as a motivation, as organisations believe reporting will bring financial benefits as well as the betterment of organisational image. This view is supported by Larrinaga-Gonzalez et al's (2001) study which finds that CSR reporting is used to promote environmental image in order to gain business advantage. In terms of initiating CSR reporting, Bebbington, Higgins and Frame's (2008) findings reveal that the motivation behind CSR reporting is a business-related differentiation strategy. Gray, Kouhy and Lavers (1995), however, note that it is not only empirically implausible to ascertain, but also offensive to CSR proponents to assume that they are purely interested in economic gain. Milne (2002) also notes that positive accounting theorists have failed to find any substantive evidence to support the view that firms' management use annual report social disclosures in pursuit of their own wealth interests.

According to Jeucken and Bouma (2001), financial services institutions are not motivated to attain a high level of CSR practices yet. A high level of CSR practices is likely to involve a loss of profit as some customers may not qualify under 'sustainability' criteria that require them to be socially and/or environmentally responsible. Financial services institutions appear more eager to respond to internal CSR obligations and offer eco-friendly products, considered lower level CSR practices. The potential loss of profit would seem to be the main deterrent for attaining higher level of CSR practices.

Morality-related motivation

Moral, ethical and value-driven motivations are another focus. Moral, ethical and value-driven motivations refer to when the CSR report is viewed as part of the organisations accountability responsibilities (Unerman et al., 2007). Such moral or ethical motivation is, however, difficult to prove as it involves identifying the values of key organisational decision-makers. Inferring values through physical evidence (such as policy statements), and verbal communication also may not reveal the 'true' intention or motivation. A plausible perspective is that there may well be a combination of motivations for both reporting and other CSR activities (Unerman et al., 2007; Zadek and Raynard, 2004).

Gray, Owen and Adams (1996), Owen, Gray and Bebbington (1997), and Bebbington (1997) claim that unless CSR reporting is about accountability and/or sustainability, it fails in what they see as its principal purpose. It is difficult to exclude the profit motive from any CSR initiatives unless the organisation is purely ethics oriented as, for example, with charities (Henderson, 1984). Furthermore, having a profit motive is not necessarily being immoral or unethical. It is perhaps only when an organisation attempts to better its image to mystify (or enhance) stakeholders' perceptions (Hopwood, 1989; Adams and Harte, 1998; Woodward, Edwards and Birkin, 2001) that such intention may be construed as immoral or unethical.

External pressure-related motivation

Another motivation for CSR reporting is external pressure, such as pressure from stakeholders. Not responding in a manner seen as appropriate to such pressure could impinge on business legitimacy. The phenomena known as the social contract is relevant here. The social contract consists of the explicit and implicit terms expected by third parties – or stakeholders (Gray et al., 1996). Stakeholders are defined by Freeman (1984) as groups that can be affected by, or can affect, the business.

Social contract and legitimacy theory form the basis for many studies that examine CSR reporting. Cormier, Gordon and Magnan (2004) contend that the results of these studies have not been able to infer that legitimacy theory consistently explains CSR reporting. However, specific studies have found support for legitimacy theory noting external pressures which exist. Most notably studies by O'Donovan (2002) and O'Dwyer (2002), both based on interviews with senior managers, conclude that legitimacy theory does provide an explanation for the decision to report on CSR activities.

In relation to the consideration of different stakeholder groups, researchers have found that financial obligations are frequently put first, which often means prioritising shareholders over other stakeholders. Furthermore, even when stakeholder management practices are adopted, the motivation for doing so is often because of their perceived positive impact on the bottom line (Berman, Wicks, Kotha and Jones, 1999). Owen, Swift and Hunt (2001) describe it as a 'soft' form of accountability when stakeholder management is undertaken with priority given to the profit motive. Owen, Swift, Humphrey and Bowerman (2000) suggest that the poor quality of stakeholder involvement and the unwillingness by companies to implement feedback received implies that businesses are not serious about engagement with stakeholder groups. O'Sullivan and O'Dwyer (2008) examine the initiation and evolution of the Equator Principles from an NGO stakeholder perspective. They note that "NGO campaigns for greater financial institution responsibility and accountability, often involving counter accounting, challenged some of the world's leading financial institutions and forced them to address NGO concerns (O'Sullivan and O'Dwyer, 2008, p. 575). They also note however, that commitment and accountability to the Equator Principles have so far left much to be desired. The current study considers the social contract, the concept of legitimacy and legitimacy gaps, in the analysis of the issues arising in the interviews. The method of data collection is outlined next.

METHOD

This research investigates a group of industry-specific CSR reporters. It looks at the professed understandings and motivations in relation to CSR reporting offered by eight personnel involved in CSR reporting and two expert stakeholders. Consistent with research by O'Dwyer (2004, p. 392), the authors seek to "'get inside the heads' of the managers and hear them speak and reflect" on thinking and intentions about CSR and CSR reporting. Therefore, face to face interviews were used.[3]

Interviews with key CSR reporting decision-makers from three NZFSIs were undertaken. Two of the NZFSIs are New Zealand incorporated banks with a combined banking asset share around 40% of the New Zealand total. The third NZFSI included is a company with substantial market share in the insurance sector. Each has experience in producing localised or contributing to globalised CSR reports. From the three identified NZFSIs, eight personnel were interviewed. These eight respondents include the key decision-makers in the CSR reporting process within their respective organisations. Three respondents were from corporate affairs, three from CSR departments and one each from accounts and IT. By interviewing key-decision makers, insights into CSR understandings and CSR reporting motivations, beyond what can be ascertained through an analysis of the reports, were able to be ascertained. All interviews were conducted in 2005/2006 and therefore prior to the 2008/2009 'financial crisis'. While it is recognised that this crisis is likely to have an impact on CSR within financial service institutes, as discussed further below in relation to areas for future research, this study still provides useful insights into CSR reporting within this context.

Two additional face-to-face interviews were conducted in 2005/2006 with expert stakeholders familiar with the NZFSI sector and CSR responsibilities. One stakeholder was from an NGO promoting sustainable business, the other was from a business well-known for CSR consultancy, and its CSR policies and practices. Both individuals actively promoted CSR practices and had reviewed numerous CSR reports, including those produced by the selected NZFSIs.

Given their different orientations as report producers and audience, slightly different open-ended questions were used with the NZFSI participants and the expert stakeholders. A preliminary question 'How is the community and the environment affected by your business activities?' was used to prompt discussion on how NZFSI interviewees viewed their organisations' impact. After discussion of understandings of CSR, ensuing questions focused on the process used to develop their latest CSR reports, the selection of issues, the motivation and rationale for reporting, perceived benefits and problems, and means of stakeholder engagement. The focus in the interviews with the expert stakeholders was on how respondents saw current CSR reporting by NZFSIs and what the respondents thought NZFSIs should be reporting on.

All interviews were recorded and transcribed. Interview transcripts were then read multiple times and coded into themes by the primary researcher. Themes were derived by looking at similarities across the respondents as well as any recurring or key points made by the interview participants. A strict coding of each sentence of the transcripts was not undertaken; rather, through a process of reading and re-reading to become familiar with the data, the

[3] Talking directly with report producers themselves is considered to be a strength of this paper. A limitation, however, is that this paper does not look at the reports themselves. A more comprehensive study is being conducted which combines both interview and report analyses.

researcher identified common topics and points of view. Key themes were then identified by the researcher and confirmed by the other authors who were also familiar with the participant organisations and their reporting. Interviews conducted with personnel from the NZFSIs were analysed separately from those undertaken with the expert stakeholders. Comparisons between the views emerging from the two groups were subsequently made. The findings from this analysis are presented below in two sections: understandings of CSR; and motivations for CSR reporting. Tables which overview the findings from the interviews are provided first, followed by a discussion of the themes which includes selected representative quotes. Asterisks are used within the tables to denote each relevant response (one or several sentences). Where the illustrative quotes that follow are likely to identify the interview respondent, labels have been anonymised so as to preserve the level of confidentiality agreed with the respondents (i.e. the NZFSI identifying number and respondent identifiers have been removed).

FINDINGS

Understandings of CSR within the NZFSIs

The first set of findings relate to understandings of the CSR concept. As interviews were undertaken with report preparers, discussion focused on what they report in relation to CSR. NZFSI interviewees were asked about their understandings of the concept in relation to the reporting for their particular organisation, whereas the expert stakeholders were asked to comment on their understanding of the concept in relation to the NZFSI sector in general. The findings are summarised in Table 1.

Table 1: Interviewee understandings of the CSR concept for NZFSI reporting

CSR Issues	(*) Response				
	NZFSI respondents			Expert stakeholder respondents	
	NZFSI #1	NZFSI #2	NZFSI #3	STHD #1	STHD #2
Office-related operational activities		****	*****	*	*
Customer/client related		**			
Philanthropy		**	*		
Core business products/services	**	****		***	*

Understandings of the CSR concept varied among the NZFSI respondents. Some responses were what we would argue as being narrow in scope, focusing primarily on controlling the direct impacts of office-related operations on the environment (i.e. paper reductions and other efficiencies). More traditional philanthropic activities were also present in these understandings.

> We are a service based industry, so we don't have a whole lot of pollution issues, but we do have the normal sort of office consumption issues that relate to the environment. …we are members of the community, so CSR requires us to help the community, for example through sponsorships, etc (NZFSI #3, C).

Other understandings were somewhat broader describing CSR as an all-encompassing corporate responsibility relating to all decisions made by the institution. However, even when these broader understandings were noted, the interpretation was circumscribed by (institution) context and timing.

> It is a concept that talks about bringing together all the facts and information that you need to determine what course of action you should take. So, it's only right in the context of how much you have done to get to that point but it is not about right or wrong and it is not about legal or morality, and if you take all that into account the world doesn't have black and white outcomes. So when we talk about doing the right thing, we mean in relation to social, environment and economic impacts and within the context we are operating - and we can only do what we can do which is right at the time (NZFSI #1, A).

Themes relating to the understandings of CSR, in particular how CSR is understood in relation to reporting, among the interview respondents are now discussed.

CSR as primarily about office-related operational activities
Within this context CSR was primarily understood to be about the reduction of the environmental impact of office-related activities. Such office-related impacts were top-of-mind in the interviewee responses. Some respondents were keen to make it clear that as essentially office-based operations, NZFSIs' direct impacts on the environment were of a significantly lower order than were those of their industrial counterparts. Of concern were the impacts caused by the use of resources such as stationery, water, electricity and petrol for company vehicles. Reducing the direct environmental impacts of these operational activities was seen as important.

> Obviously, we are not an industrial company that's putting out lots of pollution, waste or anything like that. On the other hand, we do have an environmental impact by having 6000 staff who are using resources such as paper, water etc. We are also using a lot of electricity, and obviously we have an impact on the environment in that sense, but it's not as adverse as a company in the industrial field (NZFSI #2, B).

> We are an office-based business and therefore have an office-based impact. And we have identified four major impacts - paper consumption, electricity consumption, air travel by staff, and fuel usage of our vehicle fleet, all of which are related to carbon dioxide emissions (NZFSI #3, A).

NZFSI respondents also regarded their ability to influence suppliers as a key way they exercise and report on CSR. The NZFSIs were conscious that they have a commanding position over their suppliers as they represent potentially large and credible clients. Due to this position the NZFSIs had imposed CSR-related criteria on suppliers – and reported on their successes.

> NZFSI #3 has a supply chain procurement policy. As you know, when a supplier deals with us, it has potentially a huge contract (NZFSI #3, A).

> Another area is what is known as the supply chain, our ability to have people who supply us with products and goods that we use in the business verify that they have good practices towards their workforce and towards the environment (NZFSI #2, B).

> We have supplied some information on the supply chain [for CSR reports] on our ability to require the major suppliers to satisfy us, and then have good environmental practices (NZFSI#2, C).

Responses from the expert stakeholders revealed an awareness of the office-related or operational perspective of NZFSI's in relation to CSR. However, the stakeholders commented that NZFSIs need to be more concerned about their wider responsibilities, especially those where they could make bigger changes or influence practice more widely.

> I actually have that conversation with NZFSIs themselves who say, "I am just a service provider and service providers don't have an environmental impact."... but I think for these guys, they need to be looking at what their product delivery or offer is in terms of sustainability... I am more interested in the big changes they can make. The big changes are the things they are most scared of. For New Zealand, I think they have to have a really good look at the investment criteria, and the supply chain (STHD #1).

> I think the key issue with the financial sector is not how much, or how they operate in offices because it's quite clean... They are playing around the edges doing the stuff of looking after customers, you know, operating the offices with correct lighting, recycling paper. And all that is good. It's fine but that is not the most important thing in terms of driving socially and environmentally practices (STHD #2).

So while NZFSI respondents focused their expressed CSR understandings and thus reporting on reducing the direct impacts of operational activities and influencing suppliers, both expert stakeholders believed that the sector should be attending to and communicating about the broader impacts derived from their products and services.

CSR as linked to concerns about customers
CSR and reported CSR topics were perceived as related to the need give customers the type, level and quality of service they desired. This included product and service offerings but also focused on issues of access to products and services.

> I guess we focus mainly on customers… generally looking for ways to improve and look to see what's important to customers, using research as an example to look for new product and services or changes to interesting product and services (NZFSI #2, C).

> If we look at the social and economic impact, if we communicate with our stakeholders looking at who uses our services, there will be an issue on financial exclusion, so we have to be careful if we want to make sure that our services are available to everybody, and that certain segments of the community are not excluded (NZFSI #2, A).

The oligopolistic nature of the financial service industry makes it highly competitive. There are few competitors who are highly price sensitive, and therefore, customers are seen as a critical element for survival in the industry. It is not surprising, therefore, that all NZFSI respondents spoke about the importance of clients or customers in relation to CSR and CSR reporting.

CSR as good old philanthropy - and being seen to do good things
The view of CSR as involving and reporting on philanthropic activities was noted by two of the three NZFSI's in this study. Such activities included the institutions initiatives relating to voluntary services, donations, sponsorships, and paid time off for staff to work in the community.

> NZFSI #3 assists the community through sponsorship of the fire service, community patrol, who are the eyes and ears of the police, to prevent crimes from happening and we also provide support for victims of crimes and sponsor NGOs such as the World Wildlife Fund, Sustainable Business Network, etc. Aside from that, we also support local community arts and sports, such as operas and cricket. Although such sponsorships may not be completely or directly aligned to sustainability, they enhance our credibility and goodwill. This is done to get profile (NZFSI #3, A).

> It's in our interest to be known through the community through our sponsorships or through, I guess, just general involvement in reputable business associations (NZFSI#2, B).

The people and causes involved often attracted media coverage and public attention. These philanthropic activities are also often high profile in the company's reports. The visible nature of these activities, both in the media and the company's own reports, may have an impact on the perception of the company's image and CSR profile. It also, may have a legitimising or deflecting effect. This possibility is discussed further below.

CSR could be about core business products and services

CSR understandings by the reporters within the financial service institutions were also, but less commonly, acknowledged to be related to product and services – what might be considered to be understandings regarding their core business function. Focus here was primarily on the ability to influence behaviours of customers through the decisions made in relation to product and service offerings (e.g. having the discretion to determine suitability of clients to do business with, and projects to lend to or underwrite). However, while these product or service offerings were seen as a part of the sectors CSR responsibilities, they were often future -related rather than present practices.

> The environmental impact is also affected by our indirect impact through our lending, and we have credit risk processes in place to assess the risk of somebody who comes to us asking for credit and in terms of the likely impact that they have on the environment, and there are some social aspects to that too. So, if we are financing an activity, say a mining operation, it's important to us to understand whether the person asking for the finance has been consulting with the community and is actually managing the impact on the community because, for example, if someone is wanting to build a mine and hasn't [consulted with the community], and that will displace a community or affect the community in some ways that the community was unhappy about, that would affect our lending decisions (NZFSI #2, A).

> We are concerned about 'Are our lending products being used to undertake business that we think might be socially or environmentally harmful?' So we want to ensure for example, that we are not lending for the purpose of, say, one of the very obvious one would be the manufacture of weapons (NZFSI #2, B).

One respondent, however, noted that the impact caused indirectly by such products and services was too abstract or irrelevant for financial service institutions to be concerned with.

> [The indirect impact of our loans] is an issue that stakeholders may care about, but it's not relevant to us, so we can't influence that. A stakeholder may raise an issue, and we all actually say, "Well, what is our degree of control or influence over that issue?" If it is too far removed from our ability to do anything, we will exclude it (NZFSI#1, A).

The expert stakeholder respondents more readily acknowledged the NZFSIs' indirect impacts and potential ability to influence customers. The expert stakeholders were critical of the financial institutions' lack of action on socially responsible investment or lending. They saw the potential for a lot more responsible influence.

> A lot of these organisations have investment portfolios and they put [lend] money to other organisations but they don't have sustainability criteria for their investment. They don't have criteria about supporting renewable energy, fair trade, you know, all those kind of broad issues that go with sustainability. So they could be investing in companies that are destroying the environment. Often they don't really know exactly what the investors are doing (STHD #1).

> It's their influence on the other organisations that is very key I think. And if they require these organisations to have sound social/environmental practices, they will be able to make a big difference to social and environmental responsibilities... The thing about banks is how they can influence the market through the power of investment and the challenge to remain competitive at the same time, you know, so I think that's the issue that they should be reporting on (STHD #2).

There were several other issues being ignored or played down by the NZFSIs that an expert stakeholder felt they should engage in. One such issue was the role of financial institutions in climate change.

> I think the big factor now is what they do for climate change. I think it's a common indicator that we need to be talking about and the problem is so big that it impacts on everything. I think these guys have got huge responsibilities in climate change and I think it's what they don't realise, they think that they don't impact on the environment, well they do (STHD #1).

Another aspect was related to the design of the institutions' products and services. The stakeholder believed that financial-related product and service design that considered impacts on the environment and community would attract or encourage existing or potential customers to exercise appropriate levels or standards of CSR.

> The way that they structure all the products has an impact on climate change and they could swing those around - they could have a really positive impact on climate change... I would like to see them reporting what their investment criteria is and make some clear decisions around supporting companies which they consider to be operating within the sustainability framework and not just avoiding the morally bad businesses but also trying to have portfolios that really start to develop the growth in the movement around the sustainable business (STHD #1).

Overall, respondent understandings of CSR in relation to NZFSI reporting of the concept are concerned with the impact of office operations, influencing suppliers, philanthropic activities, a focus on customers, and some consideration of product and service offerings. Not all activities assumed equal importance however. Concern with office-related and other operational activities was predominant. Furthermore, in relation to stakeholders, activities relating to suppliers, customers and shareholders appeared to be given more serious consideration than others who were all but absent from discussion. The expert stakeholders believed that NZFSIs should concern themselves with both the direct and indirect impacts of their business, rather than overly focus on the direct impacts of the office-related operational activities and philanthropy-related CSR. Whether these concerns are held by stakeholders beyond the two interviewed here is unclear. It would seem that because customers are given such serious consideration, these concerns may not be held, or at least not expressed, by them as a stakeholder group. We return to and extend this discussion below.

Motivations for CSR Reporting in the New Zealand Financial Service Industry

NZFSI interviewees were also asked why they believed their institution reported on CSR activities and issues. As key decision-makers, the interview respondents were in a position to provide insight into this area. The expert stakeholders were asked to comment on what they thought the reporting motivations and rationales of the New Zealand financial service industry were in general. Findings are summarised in Table 2.

Table 2: Interviewee perceptions on the motivations for CSR reporting

Motivations for CSR reporting	Response				
	NZFSI respondents			Expert stakeholder respondents	
	NZFSI #1	NZFS I#2	NZFSI #3	STHD #1	STHD #2
Business-case related	*	*	*	**	
Reputation/Image related		*	*	*	*
Other (competition, change management, pressure from head office)	*	***		**	

The business-case motivation to report

NZFSI respondents cited increased profits, attraction of new business, reduction of costs and increased market competitiveness as reasons for CSR reporting. All relate to the business-case for reporting – the most common view held by the NZFSI respondents as to why their institution reported. Some responses were direct in noting the business-case as the main motivation, others were more subtle. A number noted the hesitation of reporting negative news due to its potential effect on the (financial) bottom line.

> Reporting negative social issues could have a negative impact on our bottom line (NZFSI #1, A).

> You obviously want to be seen positively by the community otherwise that would affect our other goals, our goals in terms of growing our business. If we are seen poorly by the community, then our chance of growing our market share and all those sort of things are going to be difficult... Reporting negative social issues will of course have a negative impact on our bottom line (NZFSI #2, C).

A concern with costs was exhibited. This included the cost of philanthropic activities, the cost of building reputation or image, and the cost of engagement with stakeholders. The following remark from an NZFSI respondent emphasises the cost element and its link to CSR reporting.

> It is one thing to spend money on sponsorships, but if no one is aware of you doing it, it's not worthwhile (NZFSI #3, A).

Expert stakeholders also noted that financial sector institutions were undertaking CSR reporting for business-case reasons. They believed that the imposition of strict investment or lending criteria related to CSR, requiring customers to conform to certain social and environmental behaviour, was not undertaken by NZFSI's because the institutions feared that their existing and potential customers would take their business to another NZFSI which did not have such criteria.

> But certainly since ten years ago banks were saying, look, we are aware of that, but it's a very competitive market, and we don't want to be asking our clients to go through the extra hoops and loops from an environmental social responsibility point of view because they might go and get their money somewhere else (STHD #1).

An over-zealous attitude of NZFSIs trying to grow business at all cost was also commented on by the same expert stakeholder.

> So, in terms of their environmental and social responsibilities, I mean banks are a classic in terms of trying to encourage people to have high debt, to get New Zealanders into high debt, which I think is an appalling practice... I think banks have a responsible role to play, you know, to ensure a diversified portfolio in New Zealand (STHD #1).

As noted by Jeucken and Bouma (2001) and discussed above, financial institutions are not motivated to CSR practices which involve such things as vetting clients as it is likely to involve a loss in profit. This fear is expressed here by the stakeholder who identifies that it may not only be present customers who are lost but also the practice of (or at least the visible practice of) reviewing clients may be a deterrent for future customers.

CSR reporting as an attempt to increase reputation and image

Due to the structure and competitive nature of the industry, the reputation and image of financial service institutions is important. As has already been noted above in relation to philanthropic activities, there appears to be a conscious effort to undertake socially related activities, in particular those that can attract a lot of publicity. A NZFSI respondent demonstrates this concern with building reputation and image – and the importance of the report in doing so.

> We set out building trust with stakeholders, and so disclosure is an important element. You have got to be transparent to people to be able to see what you are doing and to begin to trust you… I guess it's saying that transparency and trust building is really important to building our reputation, particularly after the foreign exchange incident [related to the 1997 Asian-led financial crisis] which impacted badly on the bank (NZFSI #2 A).

In addition to identifying the use of CSR reporting to enhance reputation or image, the above also suggests that CSR reporting is used to repair damaged reputation or image. The effect that the most recent 2008/09 financial crisis has had is, as noted below, something that warrants investigation.

From the responses it can also be seen that CSR activities are aligned to advertising.

> Sponsorship is part of our sustainability activity that enhances our goodwill... It is a form of advertising (NZFSI #3, A).

Fear of damaging reputation or image when it comes to CSR reporting was also raised by one NZFSI respondent.

> To be perfectly honest with you, we haven't addressed internal frauds. You know, I think it is an issue within NZFSI industry. It does happen. I mean, I guess you know, on the one hand, I am saying it's important to talk about it [in the CSR report] but we were unsure how to go about talking about it. You know, it's one of those things where if you are kind of, you know, sort of afraid to put your hand up to say that that has happened in our business because it might alarm people more than you think. It's like a double edge sword (NZFSI #3 A).

This fear of how reported information will be interpreted perhaps heralds that CSR reporting is still lacking 'best practices' or tested ways in which to report, and ensure reported information is interpreted as intended by audiences.

One of the expert stakeholders provides another perspective on what the financial service institutions should focus on in relation to corporate reputation and image. Here the stakeholder suggests that the institutions should take initiatives to groom their reputation or image to a level where customers would be proud to be associated with their standards relating to CSR.

> [NZFSIs] should be talking about how they can influence the market but still be competitive. So maybe they should be educating the market so that they seek, you know, maybe you can get to a point where if a company or a project had funding from an NZFSI, for example, that would sort of tick that they were a sound environmentally and socially responsible company because of their relationship with that particular NZFSI. Maybe an NZFSI could say, "Well, actually we are not comfortable in taking you on as a client for these reasons, and we would like you to do these, and then we will take you on as a client." Now, in the short-term, you may lose some market share but in the long-term, you will be much sought after (STHD #2).

Unfortunately, loss of market share and business, whether in the short or long-term, is seen as a business failure, especially when that loss is a result of a radical change in policy such as the shift to impose CSR criteria. Once again the fear of losing business, and the reiteration that they are a business, is noted in the below comment by one of the expert stakeholders interviewed.

> There's also a fear from corporate to be seen from being too green. So, if they did something that was you know, recycling paper, looked earthy, etc, then they perceived that people might think they have lost the plot. They are a business, thank you very much, and they need to be (STHD #1).

Other stated motivations for CSR reporting
Other motivations raised by respondents included a noting of the influence of competitors within the industry, the pressure to report directed from head office, and the potential for CSR reporting to act as a change management tool.

The recognition of industry pressure and the institutionalisation of CSR reporting within the New Zealand finance service industry was noted by a number of respondents. One NZFSI respondent stated, "the whole banking sector has moved in that direction" (NZFSI #2, A) and another added, "It's something to do with some competitors who started it – and it's becoming a common practice" (NZFSI #2, C).

This institutional influence is also used to justify practices other than reporting. In relation to lending practices, one comment highlights an NZFSI's stance on investing in an industry commonly considered 'dirty' or heavy emitting and notes how their relationship with this industry is legitimised, or at least can be rationalised, based on the practices of other industry participants. This comment also demonstrates industry dynamics within the Australasian financial service sector.

> Some businesses don't meet those sustainability criteria, and the typical example of that is not all our power stations have emissions standards that equal the compendium of standards of the international standard of practice guidelines. Now, all the Australian banks and all the investment banks in the state still lend to the coal businesses or those involved in the coal powered energy industry, and so do we (NZFSI #1, A).

An expert stakeholder also noted the industry dynamics in relation to reporting by identifying their belief that reporting industry members had put pressure on non-reporters.

Another motivation noted by the interview respondents was a recognition of the influence and pressure that came from head office or another group. One such group likely influencing sector reporting practices was the New Zealand Business Council of Sustainable Development (NBCSD). The NZBCSD is a business lobby group who has a requirement of joining member organisations to CSR report within the first three years of membership. The potential influence of these groups was noted by one of the stakeholders.

> I imagine there are a few drivers - one is definitely that they are a member of the NZBCSD, and members are required to produce CSR reports. And it's also being seen to be what the progressive companies are doing now. It's a bit of a global trend, and I also imagine they have pressure from their head office to do something here (STHD #1).

According to one NZFSI respondent, CSR reporting was viewed as a change management tool. Change management was also noted by one of the expert stakeholders who raised concerns about the current CSR reporting practices being a side or auxiliary activity, rather than being mainstream or integrated into business operations, products and services. Thus the stakeholder feared that CSR reporting may be short lived.

Aside from being a change management tool, it was also opined that CSR reporting serves as an encouragement for CSR practitioners to maintain both the standards and activities of CSR.

> If you CSR report and disclose in the public domain, and you make commitment to the public, then that actually changes management behaviour too. And that makes sure that they can manage to be able to make those commitments (NZFSI #2, A).

> If it was not reported, it might not get done consistently. That's the value and strength of reporting, and it does allow for people to give input - that's also the strength of it. And what I get worried about is that these things are still not integrated enough throughout the business and there's still a fear that they might get drop or water down, minimised, instead of growing (STHD #1).

Overall, the primary motivation emerging from the interviews with respect to why companies in the New Zealand financial service industry report on CSR issues and activities is the business-case, and ultimately therefore, the enhancement of revenue and profit through increasing market share and reducing costs. Competition within the industry also noticeably results in a reactive motivation for the NZFSI respondents to undertake CSR reporting. Corporate reputation and image building appear another motivation, but these motivations can be linked to the business-case rationale. Such reputation and image related motives of the sector are, however, approached from a different perspective by the expert stakeholders, suggesting that NZFSIs should not fear being perceived as 'too green', rather they should build an image where clients want to be associated with them for sustainability reasons. Expert stakeholders also identified the likely influence of head offices, global industry trends and association members.

DISCUSSION

NZFSI respondents generally recognised the potentially broad nature of the CSR concept. They were aware that NZFSIs' business processes, and their core business products and services have social and environmental impacts. Following Jeucken (2001), the respondents considered CSR to be about both internal and external issues. However, when it comes to giving emphasis or priority to the elements of CSR, in particular to the reporting of such actions, NZFSI respondents express a much more selective and narrower understanding and application. Clearly, and perhaps unsurprisingly, they focus on internal or direct impacts. For example, and with particular regard to NZFSI's impact on the natural environment, the

NZFSI respondents seem to highlight office-related operational activities, and, resultantly, relegate discussion of the environmental and social impacts of their core business products and services. The NZFSI respondents readily spoke about their controlled and reported office-related operational activities (i.e., water and electricity use, fuel consumption, and office stationary) when attempting to justify their responsibilities in relation to CSR. The potentially huge indirect impacts of core business products such as lending, deposit taking and insurance was played down, missed or avoided.

In this study CSR report producers within NZFSIs were interviewed and asked about the reporting of CSR and CSR activities. Due to the nature of such an investigation there exists a number of possible reasons for the narrow articulation and reporting of CSR uncovered here. While these are discussed here in order to make sense of our findings, how each requires further research is discussed in the following section.

First, the findings may uncover an accurate understanding of the concept and indicate that financial service institutions within this context operate with a narrow conception and practice of CSR and CSR reporting. However, we would suggest that while it is possible that the report producers themselves may have such a view, it is possible that other views are held within the institution and industry. Second, there may exist a form of reporting –performance gap (Adams, 2004). As this investigation examined understandings of report producers located with corporate affairs, accounts, IT and specialist CSR departments, it is possible that decisions and actions relating to the core products and services are being made in-line with a broader understanding of CSR at the discretion of other departments or divisions. It may be the case that those with responsibility to prepare the reports are not involved in these decisions and therefore largely unaware of these activities or the extent to which they occur. If this is the case, a communication issue is at play. Third, and perhaps somewhat more sceptically, it may be a strategic decision not to identify and report on the range of decisions and actions undertaken. As noted in the introduction, the activities of banks are not going unnoticed and it may not be in their best interest to be found to be supporting and facilitating corruption and dubious customers. However, taking a 'big brother' approach may also not be advantageous for the banks. It is possible that, in line with the findings of Coulson (2007) and O'Sullivan and O'Dwyer (2008), that NZFSIs have expanded their CSR policies and/or refined criteria for accepting clients as a way of influencing their indirect impacts; however, they may be being un-transparent in their implementation. This situation is possible given the identified fear of losing business.

Regardless, a lack of clarity concerning the priority and scope of CSR responsibilities or obligations exists, perhaps an issue tied to the flexibility or uncertainty surrounding the concept of CSR and the consideration of a broad number of stakeholders. The NZFSI respondents in this study exercise discretion when undertaking CSR activities and reporting. These NZFSIs appear to consider some stakeholders, namely clients, employees and suppliers, and select activities to report on such as those related to office operations and philanthropy. One respondent even asserted that were an issue to be raised by a stakeholder it could be ignored by the NZFSI if it chose to. So the spirit of boundless responsibilities to a multitude of stakeholders has not been subscribed to. The power and influence of stakeholders in general does not appear to have been directed toward the impacts of financial services institutions' activities – perhaps because financial services institutions are seen as intermediaries rather than as having a direct impact, compared with the 'dirty, damaging and dangerous' industries they often support. Regardless, one might esteem in line with

Banerjee's (2007) critique of CSR, that the views expressed by the NZFSI respondents are more concerned with the corporate than with the social.

For the authors of this paper, the CSR concept covers all business activities, including products and services - and in expressly invoking the social, all stakeholders. The extension of this view is that NZFSIs should place more emphasis on the impact of their core products and services – these are, after all, their primary reason for existence and survival. In relation to the financial service industry, although the financial products and services themselves cannot be claimed to directly cause harm, their financing has a large impact in determining what developments occur in society. This research suggests that these 'leading' NZFSIs are not currently giving due emphasis to this aspect of their core business when it comes to considering CSR. Indeed, if NZFSIs are to make changes that are worthwhile and be truly responsible, then it is the impacts of their products and services where they can make the most difference. Thus CSR linkages should be made.

Feedback from the interviews with the expert stakeholders also supports the view that NZFSIs should give priority to the impact of their core products and services. This is consistent with the literature which demonstrates that loans given to clients are a major concern for some stakeholders. For example, Friends of the Earth in its investigation of the public accounts of Asia Pulp and Paper revealed its dissatisfaction with loans being extended to clients that cause pollution (Matthew and Gelder, 2001). It would seem, however, that little sustained social pressure has been exerted on financial institutions in this domain. Reporting, as it is currently practised, would seem to divert the public's attention away from the major impacts of core business, and seek to realign the public's expectations (Lindblom, 1993) with a narrower view focused more around less important achievements such as office-related operational activities and the like. While it appears by CSR reporting that particular institutions might gain legitimacy through their efforts to inform stakeholders, there is the possibility following Lindblom's reasoning that the prioritising of less impactful activities could misrepresent and nullify the effort of CSR activities.

The current study exposes a gap between the professed understandings of NZFSIs and the expectations and concerns of expert stakeholders. It may be that NZFSIs are waiting for wider publics to become interested in, and demand change toward a broader view of accountability – and by extrapolation that in the interests of perhaps a similarly narrowly focused group of investors, they are minding and managing the legitimacy gap. As CSR leaders, the NZFSIs who participated in this study may well already enjoy some acclaim and have protected themselves against the possibility of being seen as most illegitimate – or bottom of the pack if such a demands came to the fore. Another possibility is that doing much more than their competitors (i.e. demanding more scrutiny or conditions over client investments and/or underwriting) may render these NZFSIs less attractive, and hence less competitive.

Further tensions are exposed when considering the motivations for CSR reporting, which the authors accept is tricky (Gray et al., 1996). However, it becomes somewhat easier when the motivation for certain tasks is explained directly by the persons undertaking them. Although both the NZFSI and the expert stakeholder respondents concur with the business-case rationale as a motive for the former to undertake CSR reporting, there is no suggestion that it is the only motive. However, the top-of-mind comments offered during the interviews suggest a strong relationship or inference between CSR reporting and the business-case rationale, compared with other motivations. The NZFSI respondents did not claim pressure from any stakeholder group to report on CSR issues and impacts (beyond perhaps head office and the (sustainable) business lobby group which some had elected to join), nor was there mention of NGOs coercing the NZFSI respondents to publish CSR reports.

The stakeholder group most likely to be concerned with issues relating to the business-case motivation is the shareholders. With NZFSI respondents proposing a primarily business-case related motivation, this finding is similar to the conclusions about CSR reporting being done to gain some business advantage, or done in the business's interest as reported by Larrinaga-Gonzalez et al., (2001) and Jupe (2007). It must be noted that the feedback from the NZFSI and the expert stakeholder respondents concerning motivation is specifically in the context of motivation to CSR report, and not motivation to undertake other CSR activities, of which the motivation may be different. It is also interesting to note that the comments from the NZFSI respondents were given, subject to confidentiality relating to their identities. Again, there is no knowing whether their responses would differ if the confidentiality condition were removed. Notwithstanding, the NZFSI respondents appeared to be open and comfortable in relating their institutions' key motivation to undertake CSR reporting and activities to the business-case rationale. Their responses are in parallel with an increasing number of authors who propose the business-case rationale that includes profit enhancement and gaining competitive advantage when businesses undertake CSR activities (e.g. Porter and Kramer, 2003; Grayson and Hodges, 2004).

Whether the NZFSI respondents' motivations for CSR reporting on the part of their institutions were driven by moral or ethical or other values driven stances is not easy to ascertain. For example, the public relations exercises alluded to by the NZFSI respondents may reflect attempts to mystify stakeholders' perceptions about what CSR means (Lindblom, 1993) while appearing to be more explicit about it. Deliberate intention to obfuscate would be deemed as immoral or unethical (Hopwood, 1989; Adams and Harte, 1998; Woodward, Edwards and Birkin, 2001), but it cannot be substantiated by the data in this study. What can be said is that some respondents were quite explicit about the importance of their institutions getting publicity from their CSR activities, ultimately again putting the corporate centre-stage.

CONCLUSION AND FUTURE RESEARCH

If NZFSIs are to go beyond the corporate to consider the social, they must attend not only to their direct impacts but also take responsibility and account for the indirect impacts generated through their product and service offerings. The extent to which indirect impacts are being considered through the decisions made by those engaged in lending and underwriting is occurring, but not reported on, is something which is needed to ascertain whether the narrow CSR understanding is a reporting issue or a performance/action issue. We note that while NZFSIs could find it a burden to calculate or estimate the environmental and social impacts of clients' activities which they have invested in or underwritten, it is not impossible (Jeucken, 2001). As such, the burden may lie in the perceived interpretation of reporting such information.

The current study points to corporate-centric motivations related to the business-case, and lack of apparent stakeholder pressure contributing to a narrow view of CSR activity and reporting. Without an internal motivation or a strong external push to do more, then financial services institutions appear to have a limited incentive to adopt a broader social focus. Currently, there would seem to be little tangible recognition of any legitimacy gap. With a prime focus likely to be on investors and customers, financial services institutions are doing no more than what these stakeholders would seem to expect. With such an orientation, NZFSIs could be seen as minding the legitimacy gap. They, like many other reporters besides themselves, could also be said to be currently managing and potentially even closing the gap by identifying and presenting themselves as socially and environmentally responsible. Whether these understandings of CSR and motivations for CSR reporting have changed as a result of the 2008/09 financial crisis is in need of investigation. It is likely that these events have impacted financial service institutions' thinking and actions around CSR and CSR reporting – what form this change has taken, and its extent is yet, however, unclear.

The NZFSIs in this study demonstrated an awareness of CSR as broader than just corporate interests. With expert stakeholders and other commentators pointing to the need for CSR to embrace the social and environmental, the call for financial institutions to take responsibility for the indirect impact of their products and services is increasing. Over time, with sufficient internal commitment and responsiveness to more demanding societal expectations, workable practices, measurements and reports on a much wider CSR remit may evolve as part of financial services institutions' routines, and contribute to their ongoing legitimacy. Currently the wider legitimacy crisis concerning financial services institutions abroad is directed at other but somewhat related aspects of their business such as risky investment and lending, executive compensation and the use of public monies post nationalisation strategies and government bail-outs. However, the authors of this paper do see potential for some movement in the direction of responsibility for indirect impacts, as signalled above, albeit not the highest current priority. More research on the indirect impacts of core business products and services of financial services institutions looking at how the indirect impact of financial services institutions could be measured, and whether it could be regulated, is needed. Also needed is research which investigates broader stakeholder views on where the social and environmental responsibilities of financial service institutions begin and end.

By nature of the high demand for loans, insurance and other core business products and services provided by financial institutions, it is possible that, if demanded to do so, potential clients would supply CSR information such as social and environmental assessment reports by independent authorities to support their applications – and continue to do so periodically as a condition for the approval and continuance of products such as loans (Coulson, 2002) as some already do. What is ultimately called for is whole-of-sector change that makes no institution uncompetitive by virtue of what may become more realistic demands for corporate behaviour which is indeed responsible.

REFERENCES

Adams, C. A. and Harte, G. (1998), "The changing portrayal of the employment of women in British banks' and retail companies' corporate annual reports", *Accounting, Organisations and Society*, Vol. 23 No. 8, pp. 781-812.

Adams, C. A. (2004), "The ethical, social and environmental reporting-performance portrayal gap", *Accounting, Auditing and Accountability Journal*, Vol. 15 No. 2, pp. 223-250.

Banerjee, S. B. (2007), *Corporate social responsibility: The good, the bad, and the ugly*. Edward Elgar: Northampton, Massachusetts.

Banktrack (2009). Unprecedented legal battle over RBS' unethical investments. Retrieved from http://www.banktrack.org/show/news/unprecedented_legal_battle_over_rbs_unethical_investments#

BBA. (1993), *Position statement: Banks and the environment.* British Bankers' Association: London.

Bebbington, J. (1997), “Engagement, education and sustainability: A review essay on environmental accounting”, *Accounting, Auditing and Accountability Journal,* Vol. 10 No. 3, pp. 365-381.

Bebbington, J., Higgins, C. and Frame, B. (2008), “Initiating sustainable development reporting: evidence from New Zealand”, Accounting, Auditing and Accountability Journal, Vol. 22 No. 4, pp. 588-625.

Belal, A. R. (2002), “Stakeholder accountability or stakeholder management: A review of UK firms' social and ethical accounting, auditing and reporting (SEAAR) practices”, *Corporate Social Responsibility and Environmental Management,* Vol. 9, pp. 8-25.

Berman, S. L., Wicks, A. C., Kotha, S. and Jones, T. M. (1999), “Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance”, *Academy of Management Journal,* Vol. 42 No. 5, pp. 488-506.

Bowen, H. (1953). *The social responsibilities of the businessman*. Harper: New York.

Brown, J. and Fraser, M. (2004), “Social and environmental accounting: How are you approaching it?” *Chartered Accountants Journal,* Vol. 83 No. 7, pp. 16-18.

Carroll, A. B. (1979), “A three dimensional model of corporate social performance”, *Academy of Management Review,* Vol. 4 No.4, pp. 479-505.

Clarkson, M. B. E. (1995), “A stakeholder framework for analyzing and evaluating corporate social performance”, *Academy of Management Review,* Vol. 20 No 1, pp. 92-101.

Cormier, D., Gordon, I. M. and Magnan, M. (2004), “Corporate environmental disclosure: Contrasting management's perceptions with reality”, *Journal of Business Ethics,* Vol. 49 No. 2, pp. 143.

Corporation of London. (2002), *Financing the future: The London principles - the role of UK financial services in sustainable development.* Corporation of London: London.

Coulson, A. B. (2002), *Benchmarking study: Environmental credit risk factors in the pan-European banking sector.* F & C Asset Management: London.

Coulson, A. B. (2007), “Environmental and social assessment in sustainable finance”, in Unerman, J., Bebbington, J. and O’Dwyer, B. (Eds), *Sustainability Accounting and Accountability,* Routledge, London, pp. 266-81

Deegan, C. (Ed.). (2007), *Organisational legitimacy as a motive for sustainability reporting*. Routledge: Abington.

Devinney, T. M. (2009), “Is the socially responsible corporation a myth? The good, the bad, and the ugly of corporate social responsibility”, *Academy of Management Perspectives,* Vol. 23 No. 2, pp. 44-56.

Donaldson, T. and Preston, L. (1995), “The stakeholder theory of the corporation: Concepts, evidence and implications”, *Academy of Management Review,* Vol. 20 No. 1, pp. 65-91.

Economist, (2009, May 14), “Corporate social responsibility: A stress test for good intentions”, *The Economist,* Print edition.

Equator Principles (2009). http://www.equator-principles.com/

Franklin, D. (2008, November 19), “The year of unsustainability”, *The Economist: The World in 2009.* Print edition.

Freeman, R. E. (1984), *Strategic management: A stakeholder approach*. Pitman: Marshfield.

Gettler, L. (2005, October 15), “Banks oppose CSR rules”, *The Melbourne Age.* www.theage.com.au/news/business/banks-oppose-csr-rules/2005/10/14/1128796707466.html Retrieved 28 August 2009.

Global Reporting Initiative (GRI). (2007), *Financial Services Supplement*. Retrieved August 23, 2009, from http://www.globalreporting.org/NR/rdonlyres/0F09CCFF-C378-4B5F-9944-76E24679226B/0/SS_FinancialServicesEnvironmental_ENG.pdf

Global Witness (2009). Undue Diligence: How banks do business with corrupt regimes (March 2009). Retrieved from http://www.globalwitness.org/media_library_detail.php/735/en/undue_diligence_how_banks_do_business_with_corrupt

Gray, R., Kouhy, R. and Lavers, S. (1995), "Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure", *Accounting, Auditing and Accountability Journal*, Vol. 8 No. 2, pp. 47-77.

Gray, R., Owen, D. and Adams, C. A. (1996), *Accounting and Accountability: Changes and challenges in corporate social and environmental reporting.* Prentice Hall: Harlow.

Grayson, D. and Hodges, A. (2004), *Corporate social opportunity: 7 steps to make corporate social responsibility work for your business.* Greenleaf: Sheffield.

Henderson, V. E. (1984), "The spectrum of ethicality", *Journal of Business Ethics*, Vol. 3 No. 2, pp. 163-169.

Henriques, I. and Sadorsky, P. (1999), "The relationship between environmental commitment and managerial perceptions of stakeholder importance", *Journal of Management Studies*, Vol. 42 No. 1, pp. 87-99.

Hopwood, A. G. (Ed.). (1989), *International pressures for accounting change*. Prentice Hall: Hemel Hampstead.

Jeucken, M. (2001), *Sustainable finance and banking: The financial sector and the future of the planet.* Earthscan: Guildford.

Jeuken, M. and Bouma, J.J. (2001), "The changing environment of banks" in Bouma, J.J., Jeucken, M. and Klinkers, L. (Eds), *Sustainable Banking: The Greening of Finance*, Greenleaf Publishing Limited: Sheffield.

Jupe, R. (2007), "An analysis of disclosures in corporate environmental reports", *Social and Environmental Accounting Journal*, Vol. 27 No. 2, pp. 8-11.

Lachowicz, M. (Ed.). (2000), *The listening banks: The development of stakeholders relations with NGOs*. Greenleaf: Sheffield.

Larrinaga-Gonzalez, C., Carrasco-Fenech, F., Caro-Gonzalez, F. J., Correa-Ruiz, C. and Paez-Sandubete, J. M. (2001), "The role of environmental accounting in organisational change: An exploration of Spanish companies", *Accounting, Auditing and Accountability Journal*, Vol. 14 No. 2, pp. 213-239.

Lindblom, C. (1993), *The implications of organisational legitimacy for corporate social performance and disclosure.* Paper presented at the Critical Perspectives in Accounting Conference, New York.

Matten, D. and Moon, J. (2008), "'Implicit' and 'Explicit' CSR: A conceptual framework for a comparative understanding of corporate social responsibility", *Academy of Management Review*, Vol. 33 No. 2, pp. 404-424.

Matthew, E. and Gelder, W. V. (2001), *Paper tiger, hidden dragons*. Friends of the Earth: London.

Milne, M. (2002), "Positive accounting theory, political costs and social disclosure analyses: A critical look", *Critical Perspectives on Accounting*, Vol. 13, pp. 369-395.

Milne, M., Kearins, K. and Walton, S. (2006), "Business makes a 'journey' out of 'sustainability': Creating adventures in Wonderland?", *Organization*, Vol. 13 No. 6, pp. 801-839.

O'Donovan, G. (2002), "Environmental disclosures in the annual report extending the applicability and predictive power of legitimacy theory", Accounting, Auditing and Accountability Journal, Vol. 15 No 3, pp 344-71

O'Dwyer, B. (2002), "Managerial perceptions of corporate social disclosure: An Irish story", *Accounting, Auditing and Accountability Journal*, Vol. 15 No. 3, pp. 406-436.

O'Dwyer, B. (2003), “The ponderous evolution of corporate environmental reporting in Ireland: Recent evidence from publicly listed companies”, *Corporate Social Responsibility and Environmental Management,* Vol. 10, pp. 91-100.

O'Dwyer, B. (Ed.). (2004), *Qualitative data analysis: Illuminating a process for transforming a 'messy' but 'attractive' 'nuisance'*. Elsevier Limited: Oxford.

O'Sullivan, N. and O' Dwyer, B. (2008), “Stakeholder perspectives on a financial sector legitimation process: The case of NGOs and the Equator Principles”, *Accounting, Auditing and Accountability Journal,* Vol. 22 No. 4, pp. 553-587.

Owen, D., Gray, R. and Bebbington, J. (1997), “Green accounting: Cosmetic irrelevance of radical agenda for change”, *Asia-Pacific Journal of Accounting,* Vol. 4 No. 2, pp. 175-198.

Owen, D., Swift, T., Humphrey, C. and Bowerman, M. (2000), “The new social audits: Managerial capture or the agenda of social champions”, *European Accounting Review,* Vol. 9 No. 1, pp. 81-98.

Owen, D. L., Swift, T. and Hunt, K. (2001), “Questioning the role of stakeholder engagement in social and ethical accounting, auditing and reporting”, *Accounting Forum,* Vol. 25 No. 3, pp. 264-282.

Porter, M. E. and Kramer, M. R. (2003), “The competitive advantage of corporate philanthropy”, *Harvard Business Review on Corporate Responsibility.* Harvard Business School: Cambridge MA.

Spence, C. (2007), “Social and environmental reporting and hegemonic discourse”, *Accounting, Auditing and Accountability Journal,* Vol. 20 No. 6, pp. 855-882.

Stichele, M. V. (2004), “*Critical issues in the financial industry; Somo financial sector report.* Somo: Amsterdam.

Swanson, D. (1995), “Addressing a theoretical problem by reorienting the corporate social performance model”, *Academy of Management Review,* Vol. 20 No. 1, pp. 43-64.

Unerman, J., Bebbington, J. and O'Dwyer, B. (Eds.). (2007), *Sustainability, Accounting and Accountability*. Routledge: Abington.

Waddock, S. (2008), “Building a new institutional infrastructure for corporate responsibility”, *Academy of Management Perspectives,* Vol. 22 No. 3, pp. 87-108.

Wood, D. J. and Jones, R. E. (1995), “Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance”, *International Journal of Organisational Analysis,* Vol. 3 No. 3, pp. 229-239.

Woodward, D., Edwards, P. and Birkin, F. (2001). “Some evidence on executives' views of corporate social responsibility”, *British Accounting Review,* Vol. 33 No. 3, pp. 357-397.

Zadek, S. and Raynard, P. (Eds.). (2004), *Tomorrow's history*. Greenleaf: Sheffield.